

Nick Beams addresses 70th anniversary meeting

# Capitalist breakdown and the revolutionary perspective of the Fourth International

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*Published below is the report delivered on September 28 by Nick Beams to a public meeting in Sydney on the 70th anniversary of the founding of the Fourth International. Beams is a member of the WSWs International Editorial Board and National Secretary of the Socialist Equality Party (Australia).*

The historical significance of the founding of the Fourth International in 1938 and the 70-year struggle to defend and develop the program of Trotskyism, led since 1953 by the International Committee of the Fourth International, is being underscored by the tumultuous events now unfolding in the world economy.

Every day brings fresh news of disasters and crises within the financial system. It becomes almost impossible to keep track of the hundreds of billions of dollars, running into trillions, being thrown this way and that by central banks and financial authorities to try to keep to the global financial system in operation.

In the past two weeks we have seen the bankruptcy of Lehman Brothers, a 158-year-old finance house, the takeover of the stock-broking firm and investment bank Merrill Lynch, and the move by Goldman Sachs and Morgan Stanley to seek banking status in order to receive protection from bankruptcy. In the same period, the remaining four investment banks on Wall Street, following the demise of Bear Stearns in March, have all gone under in one way or another. Furthermore, the insurance giant AIG has had to be bailed out to the tune of \$85 billion. Last Thursday, with \$307 billion in assets, \$188 billion in deposits and more than 220 branches, Washington Mutual collapsed--the biggest banking collapse in history.

The Bush administration, with key support from the Democrats, is putting in place a \$700 billion bailout operation for Wall Street by buying up the worthless financial assets it has on its books.

It has now become a commonplace for commentators and economic pundits to remark that the world capitalist system has entered its most severe financial crisis since the events of 1929, which led to the Great Depression.

And people all over the world are starting to recall what followed: the coming to power of the Nazis in Germany in 1933, mass unemployment, the division of the world into rival blocs and empires, and--a decade after the Wall Street crash--the eruption of World War II, and the deaths of tens of millions.

Pundits, journalists and politicians alike offer reassurances that the world has not ended, that there will be no repeat of the 1930s, because governments and financial authorities are aware of the problems and have the means to resolve them.

Such reassurances might carry a little more weight if they were not being issued by the same people who, only yesterday, were extolling the virtues of the new financial system.

For the Marxist movement, this crisis has not come out of the blue. It is

the outcome of deep-seated contradictions which, as our movement has explained, lead inexorably to the breakdown of the capitalist system.

When we speak of a 'breakdown' we are not pointing to a single event--a point at which capitalism suddenly freezes up and ceases to function--but rather to an historical process. The vast shifts in the structures of global capitalism--the implosion of the financial system, the collapse of credit and financial markets, and the bankruptcy of major banks and investment houses--are the outcome of changes that have been taking place beneath the surface of economic life over years and even decades.

A breakdown does not mean that capitalism comes to a halt. It signifies the opening of a new period of history, in which old structures, both economic and political, as well as ideologies and ways of thinking, give way, and new forms of political struggle develop in which the fate of society itself is up for decision.

Marx referred to the class struggle 'now open, now concealed.' For the past period it has been somewhat concealed, in the sense that the working class has been unable to develop a response to the unending attacks on its living standards and social conditions. But now, in the United States, it has burst to the surface, with an immense eruption of anger against the Wall Street bailout plan. This anger signifies the start of a new political era.

The unfolding disintegration of the world capitalist order means that the working class is going to be confronted with the necessity of taking political power and re-organising society on new social, economic, political and also moral foundations. As the bloody history of the twentieth century so clearly demonstrates, nothing less than the future of humanity itself depends upon the accomplishment of this task.

The necessity for a fundamental re-organisation of society arises out of the present crisis, quite independently of the demands or agitation of socialists. It is posed quite objectively.

The American financial oligarchy, and their political representatives in both parties of big business, has an economic plan that it is working to impose: the resources of society, created by the labour of millions of working people, must be mobilised to maintain the wealth of the rich and super-rich. This layer has profited from the speculative and highly dubious financial operations which, under the banner of the 'free market', have seen a vast re-distribution of wealth up the income scale over the past 25 years.

Notwithstanding the political confusion so assiduously created by all the arms of the mass media, this plan is being recognised for what it really is: the bailout of Wall Street, of the tiny minority of the wealthiest strata of society at the expense of the overwhelming majority.

The 2008 US presidential election has already been rendered meaningless before it has even been held, because any prospect of social programs is now to be shelved. Rather, an amount equivalent to \$2,300 for

every man, woman and child in the US is to be transferred to the wealthy. One of the first questions asked by the moderator in the first presidential debate was: which government programs are you advocating be cut back in view of the bailout plan? All were agreed there would have to be cuts—that was accepted, a given.

The American ruling class cannot carry out its program democratically, and therefore we see, in the measures proposed by Treasury Secretary Paulson, the sinews of a dictatorship.

The initial text sent to the Congress, supposedly the legislative body with oversight over expenditures, was barely three pages long—less paperwork, one commentator noted in the *New York Times*, than was required for a subprime mortgage!

According to the initial text, among the powers available to the Treasury secretary, 'without limitation,' will be 'designating financial institutions as financial agents of the government' able to perform 'all such reasonable duties related to this Act.' This means that the same financial institutions that engaged in the speculative and, in some cases, outright criminal activities that led to the crisis, are to be called on to help the Treasury organise the bailout. As a recent article on the WWSW noted, the term 'conflict of interest' does not even begin to cover what is taking place.

Moreover, the plan provides for legal immunity for the Treasury. 'Decisions by the secretary pursuant to the authority are non-reviewable ... and may not be reviewed by any court of law or any administrative agency.'

As an article in the *New York Times* of September 23 pointed out, with these words 'the Treasury secretary—whoever that may be in a few months—would be vested with the most incredible powers ever bestowed on one person over the economic and financial life of the United States. It is the financial equivalent of the Patriot Act, after 9/11.' The *Times* described Paulson's proposed legislation as 'the most amazing power grab in the history of the American economy.'

A long established axiom of economics and politics holds that in a crisis, real relations are laid bare, as the accidental and the inessential are stripped away. And this is the case in this crisis. Not government of the people, by the people and for the people; not the 'free market' in which the decisions of millions of people determine economic outcomes; but government of, by, and for the wealthy. Not democracy and a land of laws, but a dictatorship of finance capital.

The wars of plunder launched by American imperialism in Afghanistan and Iraq, the aim of which is to control oil and other resources in the interests of US finance capital, are now being openly fought on the home front. They will be accompanied by a deepening of the assault on democratic rights, initiated in the so-called 'war on terror.'

As the global financial crisis unfolds, we hear a new phrase with increasing frequency: the privatisation of profits and the socialisation of losses. This is not just a pithy summing up of what is taking place, but more broadly points to the fundamental political issues that are going to be fought out in the coming period.

The question immediately arises: in whose interest is the economic re-organisation of society going to be carried out? Why should society's resources be deployed to rescue the tiny minority of fabulously wealthy, the beneficiaries of the financial system's operations?

If there is to be the socialisation of losses, if the costs are to be borne by society as a whole, then why not the socialisation of profits as well? Or, to put it another way, why should not the entire banking and financial system be brought under public ownership, to be controlled and organised in the interests of society as a whole.

The rationale for the massive bailout operation is that without it, an economic collapse of truly unprecedented proportions would occur. The billionaire investor Warren Buffet, for example, warned of the biggest meltdown in American history.

So, it is argued, this is not really the bailing out of the super-rich, but the

safeguarding of the economic interests of the people as a whole.

An article in the *Wall Street Journal* described the scene on Wednesday, September 17, when the decision was made to push ahead with having the government take on its books the toxic assets in the financial system.

Huddled in his office Wednesday with top advisers, Treasury Secretary Henry Paulson watched his financial-data terminal with alarm as one market after another began to go haywire. Investors were fleeing money-market mutual funds, long considered ultra-safe. The market froze for the short-term loans that banks rely on to fund their day-to-day business. Without such mechanisms, the economy would grind to a halt. Soon, consumers would panic. [*Wall Street Journal* September 20, 2008].

By Thursday September 18, a financial meltdown was underway.

But this only raises the issue we posed in an even sharper form. How much longer is it possible to continue with the present economic order? It is surely high time to put to an end a social and economic system whose very operations, based on the capitalist market and the relentless pursuit of profit, threatens to wreak economic devastation upon the people of the United States and the working class all over the world.

And if it is necessary that all available resources be mobilised to prevent a catastrophe, then surely it is doubly necessary that these resources be taken out of the hands of those who created the disaster in the first place, and be placed under the democratic control of the working class, whose labours—mental and manual—have created them.

The US financial crisis has surely shattered the market myths and mantras that have played such a central ideological role for the capitalist class over the past three decades.

Whenever the demand has been raised for improvements in social services, health, education, improved infrastructure, and the other requirements of modern life, the cry has gone up: big government is not the answer! Problems cannot be solved by throwing money at them! The resources are not available to meet such needs! User pays, not the provision of social services and facilities, is the only viable economic program for the future.

These shibboleths have been well and truly shattered, and the class interests they serve exposed. Big government? The sky is the limit, so far as protecting the interests of the financial plutocracy is concerned.

## The historic decline of US capitalism

This crisis, however, has done much more than shatter the ideological foundations of the "free market" politics of the past three decades. It has made clear that the economic foundations upon which world capitalism has rested since its restabilisation after World War II, following almost four decades of political and economic upheaval, have reached a very advanced stage of disintegration.

If we review the twentieth century as a whole, and especially the past 60 years, it becomes clear that the chief objective factor in the survival of capitalism to this point has been the strength of US capitalism.

Our movement, the Fourth International, has exposed the crucial political role played by the old leaderships of the working class—the Stalinist Communist parties, the social-democratic and labour parties and the trade union leaderships, together with their apologists and defenders among the middle class radical groups—in sustaining the capitalist ruling classes.

The founding program of the Fourth International begins as follows: "The world situation as a whole is chiefly characterised by a historical crisis of the leadership of the proletariat. ... The objective prerequisites for the proletarian revolution have not only ripened, they have begun to get somewhat rotten. Without a socialist revolution, in the next historical period at that, a catastrophe threatens the whole culture of mankind. The turn is now to the proletariat, i.e., chiefly to its revolutionary vanguard. The historical crisis of mankind is reduced to the crisis of revolutionary leadership."

Those words remain as true today as when they were written 70 years ago. But what explains the survival of capitalism since then? Our movement was founded on the most profound appreciation of the role of the subjective factor—the role of revolutionary leadership in the historical process. And there is no question that capitalism has survived only because of the betrayals of the leaderships of the working class.

We are not, however, historical subjectivists. Revolutions only become possible under certain definite objective conditions, which are produced by the historical development of capitalism and the working out of the contradictions within it.

There is no question that powerful objective processes made possible the survival of capitalism after World War II, following the revolutionary upheavals that both preceded and followed it. Chief among these factors has been the strength of US capitalism, which has provided the essential economic foundation for the stability of the global capitalist order in the past six decades.

That is why this crisis has such far-reaching and revolutionary implications: it signifies the historic decline, decay and disintegration of US capitalism. It means the opening of a new revolutionary epoch, for which both the Fourth International and the working class must prepare.

The ideological defenders of the capitalist order grasp almost instinctively, half-consciously, the significance of the role of American capitalism. This is the reason they insist that, despite the deepest crisis since the Great Depression, "the world has not ended."

Let me illustrate this point by referring to a recent article by the associate editor and leading economics commentator for the *Times* newspaper in London, Anatole Kaletsky, published in the *Australian* on September 9. It was published two or three days after the unveiling of the \$85 billion plan to bail out the two US mortgage giants, Freddie Mac and Fannie Mae.

Kaletsky began his article as follows: "Is this then, the 'Big One', the monster-sized upheaval, usually accompanied by some kind of government support, that normally marks the low point of every major financial crisis? In terms of scale there can be no question. The rescue of Fannie Mae and Freddie Mac ... is bigger by a factor of 10 than any previous government intervention undertaken in any financial market anywhere in the world."

His conclusion was: "If this program is not sufficient to put the US economy and financial system back on its feet, it is hard to imagine anything else that could. Anyone betting against this package is, therefore, betting that the US economy is doomed to irreversible and inevitable decline. Such a bet has always been wrong in the past and is likely to be wrong again this time. Sunday's probably was the Big One, and a US economic recovery is now assured."

The least one can say is that Mr Kaletsky's assurances were somewhat premature, given what took place over the subsequent two weeks. If the Fannie-Freddie bailout was 10 times bigger than anything undertaken anywhere before, then the present operation is at least 90 times that!

What is important here is not so much the prediction itself, but the reason it was so way off the mark. Mr Kaletsky has taken as a given the permanence of American capitalism and its global dominance. This has been so central to the economic and political framework of the past 60 years—a period that encompasses the lives of the vast majority of the

present population, and, indeed, a considerable proportion of the people who have ever lived on this planet—that anything else is unimaginable. As always, thinking lags a long way behind objective historical processes.

The collapse of American capitalism, how could that be possible? Yet it is happening, and that signifies the opening of a new historical epoch, in which many old and seemingly permanent institutions in the spheres of both economics and politics are going to undergo unimaginable change. Out of this, new political relations and possibilities will arise.

## Nixon and Bretton Woods

Before we leave Mr Kaletsky and his fellow pundits, we need to look into his remarks somewhat more, in order to clarify how we have arrived at this point. Kaletsky claims that any bet on the demise of the US would have been wrong in the past, and is wrong now.

Let us examine this question historically, starting with the Great Depression. How was that overcome? Not by the activities of the US government of Roosevelt and its New Deal in the 1930s. The measures that Roosevelt implemented failed, and by 1937-38 American capitalism was moving into a downturn as rapidly as it had in the collapse of 1932.

The demise of the New Deal measures led to certain far-reaching conclusions on the part of key sections of the American political elite. By the end of the 1930s, they had come to the understanding that the only way of overcoming the crisis was to remake the world economy.

The old divisions, the old empires and blocs had to be broken up in order to create the conditions for the revival of the world market, and the free flow of capital and goods, so essential for the expansion of US and world capitalism. That was the program on which, in the most fundamental sense, the US fought the war. As Leon Trotsky had explained in 1934: "US capitalism is up against the same problems that pushed Germany in 1914 on the path of war. The world is divided? It must be redivided. For Germany it was a question of 'organising Europe.' The United States must 'organise' the world."

After the war, the betrayals of Stalinism in Europe, where the Communist parties joined capitalist governments in Italy and France, created the conditions for the US to establish its hegemony and reorganise world capitalism on new foundations. The Bretton Woods Agreement of 1944 established a new international monetary system and laid the foundation for an expansion of world trade. The Marshall Plan of 1947 reconstructed the European economies, and laid the foundations for the development of the more efficient American systems of assembly-line production in Europe. Together, these measures established the groundwork for the growth of the post-war capitalist economy.

This post-war restructuring under the hegemony of the US opened the way for a new capitalist upswing. It seemed that a golden age had dawned. The ideologists of the bourgeoisie, echoed by the social-democratic and labour politicians, as well as the trade union bureaucracies, proclaimed that the lessons of the Great Depression had been learned. It was possible, they insisted, to regulate the capitalist system. The Marxist doomsayers had been proved wrong: capitalism was not wracked by irresolvable contradictions at all.

History, however, was to rapidly demonstrate that such contradictions did, indeed exist, and that they were far from overcome. They manifested themselves in the increasing economic turbulence that began to develop in the 1960s. By the end of that decade, the US was running a growing balance of payments deficit, and in 1971, for the first time since before World War I, it suffered a balance of trade deficit.

Under the Bretton Woods monetary system, the values of the world's major currencies were fixed in relation to the US dollar, which was, in

turn, backed by gold, redeemable at \$35 per ounce. But by the beginning of the 1970s, the amount of dollars circulating in the rest of the world vastly outweighed the gold stocks held in the US. The very expansion of international trade had undermined the monetary system upon which that expansion was based.

Action to preserve the Bretton Woods system would have required a reduction in US spending abroad, both on investment and on the military—war expenditure in Vietnam was at its height—and the imposition of recessionary conditions at home, neither of which the US administration was prepared to carry out. The other alternative was to devise a new system of international monetary relations that recognised the reduced relative economic power of the US, and the resurgence of Japan and Europe. That was ruled out as well.

The Nixon administration resolved to take another course, aimed at preserving the pre-eminence of the US. In August 1971, it removed the gold backing from the US dollar. In 1973, the system of fixed currency relationships was scrapped, and the following year, mechanisms that had been set in place to regulate the international movement of finance capital were scrapped.

The measures adopted by the Nixon administration in 1971-73 were intended to bolster the position of the US at the expense of its rivals. But, throughout the 1970s, the economic situation of American capitalism continued to worsen. Attempts by the Carter administration to initiate a coordinated global upturn failed, and by the end of the decade the US and world economies were experiencing stagflation—a combination of rising inflation and growing unemployment.

In 1979, in the midst of a growing crisis, reflected in the plunge of the US dollar, a further major turn was undertaken with the appointment of Paul Volcker as head of the US Federal Reserve.

The Volcker measures, based on record interest rates and the creation of the deepest recession since the Depression, were aimed at a restructuring of American capitalism to maintain its global dominance.

America's rise to power, from the period after the conclusion of the Civil War in 1865, had been based on the development of its industrial and manufacturing capacity. The Volcker measures, which destroyed whole sections of industrial capital, heralded the start of a new mode of accumulation—one based on finance capital. The beginning of this new era can be dated to 1982, when the American stock market began to climb.

The Dow Jones index was still below 1,000 in 1982, a level it had attained a decade earlier. It doubled in the next five years to reach 2,000 in January 1987. Meanwhile, in the first five years of the 1980s, American industry underwent the deepest recession in the post-war period.

Nevertheless, the position of American capitalism was by no means secure. In October 1987, the stock market experienced its largest-ever one-day fall, requiring a major intervention by the US Federal Reserve and other central banks to prevent a global collapse. This was followed by the savings and loans debacle, which necessitated a major government bailout, followed by a recession in 1990-92.

The turning point in the fortunes of US capitalism came with the liquidation of the Soviet Union in 1991, followed by the opening up of China and other regions of the world to global capital. It has been estimated that from the time of the collapse of the Berlin Wall in November 1989 to the present day, around one billion workers have been added to the labor market available to capital. World capitalism has never experienced such an influx of cheap labour in history. It was this process that made possible American capitalism's new mode of wealth accumulation, based on financialisation.

The following figures for Apple give an idea of the amounts involved. It has been estimated that, of an iPod selling for \$299 in the US, some \$4 goes to the companies in China that manufactured it, while around \$160 goes to the US companies involved in its design, transport and retailing.

The opening up of China and other cheap labour regions had a two-fold

impact. On the one hand, it increased the accumulation of surplus value—the source of all wealth accumulation in the capitalist mode of production. On the other hand, the cheapening of commodities made possible the lowering of interest rates in the US and other major capitalist countries throughout the 1990s, thereby providing cheap credit. This fueled the successive US booms—the stock market bubble, the Internet and tech bubble of the 1990s and the housing boom, which took off after 2002.

World capitalism experienced something of an upswing from the early 1990s, although one rocked by growing financial storms and turbulence: the crisis of sterling and the Scandinavian banking system in 1992; the \$50 billion bailout of American banks caught in the Mexican peso crisis in 1994; the Asian economic crisis of 1997; the Russian default in 1998; and the collapse of the US hedge fund, Long Term Capital Management, in 1998.

In the US, the road to wealth accumulation was no longer manufacturing industry or the provision of financial services associated with manufacturing industry, but the buying and selling of assets using borrowed funds for profit.

A simple calculation will indicate how much there was to be made. If an asset is purchased for \$100 million, with \$10 million of equity and \$90 million of borrowed funds, at an interest of, say, 8 percent, and the asset appreciates at only 10 percent over a year, then at the end of one year it will be worth \$110 million. Of this, \$7.2 million must be paid in interest, leaving \$2.8 million of profit. That is a rate of return of 28 percent. With a more rapid appreciation in asset values, the rate of return will be even higher. For example, if the asset value goes up by 15 percent, then the profit on \$10 million will be \$7.8 million or 78 percent.

[This simple example also provides an insight into the devastating impact, on a highly indebted system, of a fall in asset prices. Suppose that, instead of rising by 10 percent, the value of the asset falls by 2 percent, so that it is worth \$98 million at the end of the year. The bank will still have to be paid \$7.2 million, leaving only \$0.8 million of equity capital. That is, \$9.2 million or 92 percent of the initial capital will have been wiped out.]

The crucial question is: what keeps the value of assets rising? It depends on a continuous inflow of credit.

The significance of this form of wealth accumulation was set out in a paper published in *Foreign Policy* in 1996 entitled 'Securities: The New Wealth Machine'. The paper pointed out that these new financial instruments were the leading component of global wealth and its fastest growing generator, and that securitisation was 'fundamentally altering the international economic system.'

The article noted that the new approach to wealth creation 'requires that a state find ways to increase the market value of its stock of productive assets' and that such a strategy must be implemented by 'an economic policy that aims to achieve growth by wealth creation [and] therefore does not attempt to increase the production of goods and services, except as a secondary objective.' The road to the increased value of assets was the pumping of more credit into the financial system.

The buying and selling of securities based on assets became the new road to wealth accumulation. In 1995, the dollar value of asset-backed securities stood at \$108 billion. By the year 2000, at the height of the share market bubble, it was \$1.07 trillion. The dollar value reached \$1.1 trillion in 2005 and \$1.23 trillion in 2006. In other words, in the space of a decade, the value of these securities had increased ten-fold. Now the entire house of cards has come crashing down.

The size of this house of cards is indicated by the following figures. In 1980 the ratio of US debt to gross domestic product (GDP) was 163 percent. By 1987 it had risen to 346 per cent. Even more spectacular has been the rise of financial sector indebtedness. It jumped from just 21 percent of GDP in 1980, to 83 percent in 2000 and 116 percent in 2007.

Even this brief review makes clear why the faith of Mr Kaletsky and

others in the continued pre-eminence and stability of American capitalism is so misplaced.

The crisis now engulfing the US economy has not come out of the blue. It is the outcome of processes stretching back more than three decades, of the measures initiated within the US to overcome the crisis of the 1970s and maintain its position of global dominance. And, notwithstanding talk of 'decoupling' and the China boom, it is a crisis of the world capitalist system as a whole. The central pillar on which global capitalism has rested for the greater part of the twentieth century, and especially in the past 60 years, is disintegrating before our eyes.

There is deep significance to the fact that this crisis has struck at the very heart of the global capitalist economy, and its circulatory mechanism, the credit system, which has played such a central role in the accumulation of profit in the past 25 years.

In Volume Three of *Capital*, Marx pointed to the crucial importance of the credit system, both in extending the scope of the capitalist economy and in laying the foundations for the transition to a higher form of society, socialism.

In the first place, credit facilitates a tremendous expansion of the productive forces, because production is no longer organised on the basis of individual capital, but social capital. At the same time, it destroys all the ideological justifications of the capitalist order based on the notion that private appropriation is justified by the risk taken by the individual, or that accumulation of capital results from individual saving. The individual does not risk his own resources or savings, but, through the credit system, the savings of others—the vast accumulation of social wealth.

Credit brings to a new peak of intensity the contradiction between the social character of production and the private appropriation of wealth, in precisely the forms we are witnessing in the current crisis. The credit system, Marx wrote, 'reproduces a new financial aristocracy, a new kind of parasite in the guise of company promoters, speculators and merely nominal directors; an entire system of swindling and cheating with respect to the promotion of companies, issues of shares and share dealings.'

Marx only lived to see the very beginnings of this process, but he drew out its historical significance in words that sum up the present situation.

'The credit system,' he wrote, '... accelerates the material development of the productive forces and the creation of the world market, which it is the historical task of the capitalist mode of production to bring to a certain level of development, as material foundations for the new form of production. At the same time, credit accelerates the violent outbreaks of this contradiction, crises, and with these the elements of dissolution of the old mode of production.'

'The credit system has a dual character immanent in it: on the one hand it develops the motive of capitalist production, enrichment by the exploitation of others' labour, into the purest and most colossal form of gambling and swindling, and restricts ever more the already small number of exploiters of social wealth; on the other hand however it constitutes the form of transition towards a new mode of production.'

The current crisis brings into sharp focus the fundamental political issues now confronting the working class. What plan, what program, representing the interests of the mass of the world's people, can prevent the catastrophe that now threatens the whole culture of mankind: economic chaos, the threat of war and a deepening crisis of the natural environment? And what kind of political party must be built to lead the struggle to implement it? These are the burning questions of the day.

In elaborating the perspective of the Fourth International in 1938, Trotsky explained that it should be called the World Party of Socialist Revolution, in accordance with its nature and its historic tasks. The eruption of World War I in 1914 had ended for all time the viability of national programs and perspectives.

The world party, he explained, embodied a program, that is, a closely knit system of ideas that elaborated its essential tasks. A program was not

merely a set of immediate policies and demands, but was grounded on an assessment of the historical and strategical experiences of the international working class. Only on the basis of such a conception was it possible to educate and train a revolutionary leadership. It was not the party that made the program, but rather the program that made the party, he insisted.

This conception was opposed by all the various centrist tendencies and organisations at the time—many of them larger than the sections of the Fourth International—which claimed that this insistence on drawing the lessons of history and principle was dogmatic and sectarian. What was needed was to bring together all the oppositional tendencies and groupings to create a new and broadly based organisation. But it was Trotsky's perspective that was verified in the coming events. Not one of these other parties was able to survive the Second World War.

The post-war period posed new problems and challenges to the Fourth International. The restabilisation of the bourgeois political order, made possible by the betrayals of the Stalinist parties, coupled with the economic revival that followed, seemed to invalidate the perspectives on which the Fourth International had been founded. Furthermore, the conquests of the Stalinist bureaucracy in Eastern Europe and the victory of the Chinese and Yugoslav revolutions seemed to refute the thesis that socialism could only be achieved through the building of the Fourth International as the new international revolutionary leadership of the working class.

The new situation created tremendous political pressures within the Fourth International. These pressures were to find their expression in the development of revisionist theories, which maintained, in various forms, that rather than being obstacles to the achievement of socialism, the Stalinist and labour bureaucracies together with the petty-bourgeois and bourgeois nationalist leaderships, could actually, under mass pressure, become vehicles for its realisation. These revisionist perspectives began to be advanced by the two most prominent post-war European leaders of the Fourth International, Michel Pablo and Ernest Mandel.

In a document entitled 'Where are we going?', issued in 1951, Pablo wrote: 'For our movement objective social reality consists essentially of the capitalist regime and the Stalinist world. Furthermore, whether we like it or not, these two elements by and large constitute objective social reality, for the overwhelming majority of the forces opposing capitalism are right now to be found under the leadership or influence of the Soviet bureaucracy.'

This passage summed up the impressionist method that was to form the heart of the post-war revisionist outlook. The world was simply divided between the US and its allies on the one hand, and the Soviet bureaucracy on the other. The working class had no independent role to play and, consequently, neither did the Fourth International. It was reduced to the role of a kind of pressure group acting on the large bureaucracies that dominated the working class.

At the Third Congress of the Fourth International in 1951, Pablo spelled out the implications of his new outlook. It was necessary, he argued, to subordinate all questions of the independence of the Fourth International to 'real integration into the mass movement' in every country.

This meant nothing less than the liquidation of the Fourth International. It was this perspective that led James P. Cannon, the leader of the Socialist Workers Party (SWP), the American Trotskyist party, to issue the Open Letter to the Fourth International. And it was the Open Letter, which reasserted the key principles on which the Fourth International had been established in 1938, that led, in 1953 to the founding of the International Committee of the Fourth International.

In a letter written in March 1954, Cannon summed up the issues that had arisen in the split, insisting that the Lenin-Trotsky theory of the revolutionary party, and its role as the leader of the revolutionary struggle, dominated all others in the present epoch. To maintain that the socialist transformation could somehow be carried out in a semi-automatic fashion

was to abandon Marxism completely.

'No, it can only be a conscious operation, and it imperatively requires the leadership of the Marxist party which represents the conscious element in the historic process. No other party will do. No other tendency in the labour movement can be recognised as a satisfactory substitute. For that reason, our attitude to all other parties is irreconcilably hostile.'

The founding of the ICFI in 1953 signified the opening of what was to become a protracted struggle against opportunism within the Fourth International. In 1963, the SWP moved to reunify with the Pabloites, on the grounds that the issues that had divided the movement a decade before were resolved. The reunification was based on a common assessment of events in Cuba—that Castro's petty-bourgeois nationalist movement had established a workers' state, and that Castro himself had become an 'unconscious Marxist.' All the issues of 1953 were raised again, albeit in a different form. If socialism could be achieved in Cuba under the leadership of the petty-bourgeois nationalist forces led by Castro, then what need was there for the Fourth International.

Moreover, the character of the Cuban regime was symbolised by the fact that Che Guevara—the icon of revolutionary struggle for all the middle class radical groups—warmly greeted Ramon Mercader, the assassin of Leon Trotsky, when he was released from imprisonment in Mexico and travelled to Cuba.

The repudiation of the liquidationist perspective of the SWP was led by the British Trotskyists, Healy, Banda and Slaughter, who deepened the struggle against Pabloism. Their stand was vindicated in 1964 when the LSSP, the Sri Lankan section of the Pabloite movement, entered the bourgeois coalition government of Mrs Bandaranaike.

All the historical and theoretical issues that emerged in the struggle against Pabloism were to erupt in the split in the ICFI in 1985-86, produced by the national opportunist degeneration of the British section, the WRP.

Differences with the political line of the WRP had been raised by the Workers League in 1982 over the ever-increasing opportunist shift of the party, especially in relation to the petty-bourgeois nationalist movements in the Middle East. These criticisms were suppressed by the Healy-Banda-Slaughter leadership.

But in 1985, when the opportunism of the WRP led to an explosion in the party, the criticisms of Workers League national secretary David North were able to win support from the majority of the sections of the International Committee and from a tendency in the WRP itself.

In the course of the split, Gerry Healy summed up the outlook of all the opportunist opponents of Trotskyism. He denounced the International Committee for seeking to pursue 'whiter than white socialism of the purest water and the smallest number.' In other words, adherence to principle, to the program of Trotskyism, could only produce isolation. Like Pablo before him, and his call for the Fourth International to integrate itself into the 'real mass movement', the orientation of Healy, and of the various tendencies that split from the International Committee, was to the Stalinist bureaucracy.

The struggle against the WRP opportunists marked a turning point in the protracted and difficult struggle waged by the Trotskyist movement in the post-war years.

All the opportunist tendencies that attacked the Fourth International throughout the post-war period had drawn their strength, in the final analysis, from the domination of the Stalinist bureaucracies over the working class. But in 1985-86, enormous shifts in the world economy were in the process of shattering the structure of global politics. The Stalinist bureaucracies, upon which the opportunists based themselves, were about to collapse.

In the final analysis, the crisis of the WRP was the outcome of vast changes in the world economy—the globalisation of production—which have seen the decay and disintegration of all those parties and

organisations that based themselves on a nationalist perspective.

Moreover, the victory of the International Committee in 1985-86 over the national opportunists of the WRP was the harbinger of an historic political shift. The globalisation of production, the integration of the world economy and, above all, the integration of the international working class, have today created the objective conditions for the perspective of the Fourth International—the construction of the World Party of Socialist Revolution—to be realised.

In a letter to James P. Cannon, Trotsky once wrote: 'We work with the most correct and powerful ideas in the world, with inadequate numerical forces and material means. But correct ideas, in the long run, always conquer and make available for themselves the necessary material means and forces.' Trotsky's perspective is now being verified.

At a superficial level, the past 20 years, following the collapse of the Soviet Union, have been difficult. It appeared to millions of people that the perspective of socialism had lost all validity. They did not understand that the disintegration of the USSR, far from representing the demise of socialism, was the end product of the decades-long betrayal of the October Revolution by the Stalinist bureaucracy. The analysis of the International Committee, that the collapse of the USSR was the outcome of socio-economic processes that would, sooner rather than later, shatter the foundations of world capitalism and the post-war political order, was far from apparent. Indeed the opposite appeared to be the case—capitalism was undergoing a new lease of life. It was, according to some, even the end of history.

But the ICFI's analysis has been verified in the breakdown of the world capitalist order that is now underway—a breakdown that has very definitely placed the perspective of world socialism back on the historical agenda.

These developments underscore the critical importance of the more than 50-year struggle waged by the ICFI to defend the program of Trotskyism against all forms of revisionism and opportunism.

In 1903, the split between the Bolsheviks and Mensheviks was regarded by many in the socialist movement as a product of the immaturity of the revolutionary movement in Russia, or was simply put down to those 'quarrelsome Russians'. But in 1917 the Mensheviks formed the chief political prop for the bourgeois government overthrown, under the leadership of the Bolsheviks, in the October Revolution.

We are once again entering such a period of history. The struggle waged by the revolutionary movement against opportunism is going to assume decisive importance in the development of the struggles of the working class, and it will become clear to millions that the conflict between Marxism and opportunism is one of revolution or counter-revolution.

Let me direct your attention to developments in France—a country where it has been said that the class struggle is always fought out to a conclusion.

There the Ligue Communiste Revolutionnaire (LCR), the Pabloite party, is set to found a new anti-capitalist party (the NPA) at the beginning of next year. In an interview last March, the leader of the LCR, Olivier Besancenot, spelled out the explicitly opportunist basis on which this new organisation is to be built.

'The NPA aims to integrate currents from various traditions of the radical left. Does this integration have as its condition an explicit discussion on the legacy of these traditions, or can it only be done through practice and the convergence of concrete struggles. The discussion on the various ideological and historical 'legacies' can be interesting. It will also undoubtedly be long. But we cannot start with that! Especially since the objective is to bring together men and women who, rightly, do not have a long history of party political commitment and do not identify with any of these traditions particularly.'

There is no mistaking the political meaning of this rejection of history and principle. It constitutes a declaration by Besancenot to the French ruling class that under conditions where its chief props, the Socialist Party and, above all, the Communist Party—which played such a crucial role in

rescuing French capitalism in 1936, in 1944-45, and again in 1968--have collapsed, the NPA stands ready to fill the breach. In the approaching revolutionary crisis, it will enter a bourgeois government to preserve the capitalist order.

And the bourgeoisie has replied: message understood. That is why Besancenot is the darling of news and talk shows, and the political commentary circuit.

It seems that the message has also been received across the Atlantic. The *New York Times* of September 13 features a very favourable article on Besancenot, based on an extensive interview. It describes him as the 'extremely adept leader of the hard French left, a beacon for disaffected young members of the Socialist Party and the remnants of the once-powerful Communists.' And what guidance is provided by this beacon! The headline on the article sums it up: 'Light on the left guides his comrades towards France's mainstream.'

Seventy years ago, in greeting the founding of the Fourth International, Leon Trotsky wrote: 'We are not a party like other parties. ... Our aim is the full material and spiritual liberation of the toilers and exploited through the socialist revolution. Nobody will prepare it and nobody will guide it but ourselves.'

The old parties, he continued, were rotten through and through. The 'great events which rush upon mankind' would not leave one stone upon another of these outlived organisations. 'Only the Fourth International looks with confidence at the future. It is the World Party of Socialist Revolution. There never was a greater task on the earth. Upon every one of us rests a tremendous historical responsibility.'

In the context of the events now unfolding, these words have acquired even greater significance.



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