

Red & Black Revolution

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why the US is losing control as
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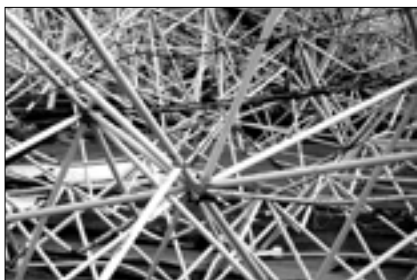
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GLOBAL CAPITALIST CRISIS

The neoliberal model that global capitalism has depended upon for its growth over the last three decades has collapsed in spectacular fashion. The collapse has been remarkable for the astonishing speed with which it has spread all over the world and into every corner of the global economy.

The roots of this crisis are found in the basic structure of the neoliberal economic system. Neoliberal economics first came into vogue in the late 1970s. They represented a reaction by the powerful against social democracy and the wave of radical social movements - anti-colonial, civil-rights, feminist, socialist - that flourished in the post-war period.

At its essence neoliberalism amounted to a very simple strategy - to remove as many constraints as possible governing how capital could be employed. To this end, from the 1980s onwards, having gained ideological control of the political systems of the major economies, neoliberal financial, legal and diplomatic measures were introduced to progressively facilitate the free movement of capital around the globe. The mobility and freedom from regulation and oversight that such reforms allowed effectively removed any prospect of democratic forces influencing the running of the economy.

If any population even looked like they might have the temerity to impose restrictions on capital movements, the markets would move and capital would leave, destroying the economy in the process, long before the local population could act. If any workforce became too assertive and started organising to achieve better pay and conditions, production could move overseas, closing their factories and eliminating the workers' jobs.

Thus, the basic neoliberal principles, when translated into policies, were very effective in increasing the power of those who owned significant capital and, conversely, decreasing the power of the masses who did not. For example, the rising tide of Third World nationalism and anti-colonialism was militarily impossible to defeat in the 1960s and 70s. However, the Third World debt crisis of the early 1980s managed to quash the threat, with an effect that lasted for decades. Similarly, neoliberal deregulation allowed the industrial barons of the US auto-

industry to move production away from the heavily-unionised and militant cities of Detroit and Pittsburgh. The economic dereliction that they left behind still serves as a potent warning against any would be imitators of the militant Detroit workers.

The major problem, however, for the ruling class with this strategy is that the regulations that neoliberalism tore up were put there for a reason and they were largely put in place by the ruling class in their own interests. During the 19th century - the era of classic liberalism - 'laissez faire' economic ideas were in vogue. The unregulated economy experienced regular, cataclysmic crises, frequent cycles of boom and bust, social upheavals, resource wars and even revolutions. That economic period culminated in the apocalypse of the First World War and the Russian revolution. The economic mess that ensued led to the Second World War and another surge of social upheaval. The economic regulations, put in place as part of the post-war

Financial Crisis

August 2007 - September 2008

In August 2007 the world's financial systems started grinding to a halt as financial institutions began to realise that they had no real idea of the risks that were contained within the complex financial instruments that they owned. Since the bankers couldn't work out exactly how risky their own securities were, they certainly weren't going to trust the assurances of other institutions. Due to the complexity of the inter-relationships within the financial sector, this resulted in the credit market basically shutting down. The financial institutions were no longer willing to lend money to any of their peers as they thought it was far too risky. This was known as the *Credit Crunch*.

As 2008 progressed, the credit market



remained closed and it became ever more apparent that the reluctance of the bankers to

make loans to one another was well-founded.

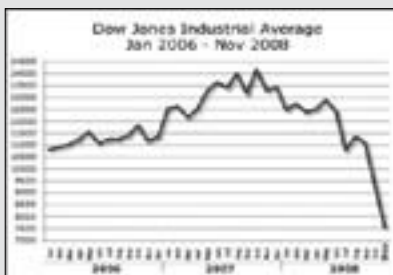
In March 2008, Bear Stearns, one of the world's largest investment banks, collapsed under the weight of its bad loans. Then, in September 2008, another Wall Street bank, Lehman Brothers, collapsed. Rather than bailing it out, or transferring its assets elsewhere, the US government allowed it to declare bankruptcy. This almost led to a total collapse of the global financial system, as Lehman's bad debts rippled through it. Lehman's bankruptcy shone a light on the vast web of deals between banks which meant that the entire system was dependent on the value of assets that were known to be 'toxic'. As of March 2009, the financial system continues on a downward spiral - the injection of trillions of dollars of public money has merely slowed the collapse. The basic problem is that almost all of the banks are insolvent. The financial system is dead and will not be revived in the same form ever again.

Crisis in the Real Economy September 2008 - Present

Although world stock-markets had been in retreat since November 2007, it wasn't until September 2008 that the full effects of the crisis started to be felt in the real economy. There were two basic reasons for this spread.

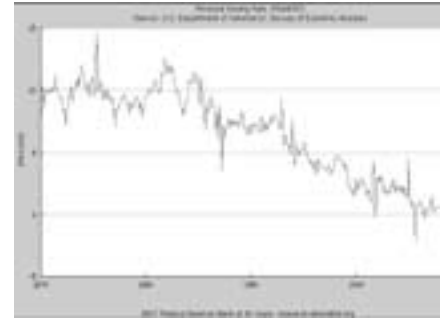
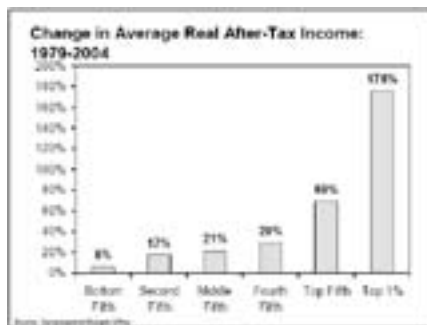


Firstly, it became more difficult for businesses to access credit. This was particularly problematic as, during the era of neoliberalism, it became standard practice for companies to borrow heavily in order to minimise the tax liabilities of their owners. Many businesses were heavily dependent on cheap credit and when it disappeared, they faced an immediate crisis and had to close or downsize to survive.



Secondly, the crisis was ultimately triggered by the fact that workers were unable to service their debts. This meant that there was going to be less consumer spending and companies were going to sell less products. This caused share prices to collapse and companies to cut back even further.

These effects combined in a negative feedback loop - rising unemployment and less credit caused companies to cut back even further as spending collapsed, leading to a runaway economic crisis.



The fundamental economic cause of the crisis in graphs. Neo-liberalism delivered growth and a greater proportion of the wealth to capitalists (bottom two graphs).

This came at the expense of workers, whose real wages have stagnated or fallen in the US since the late 1970s (top left). Thus, the consumer boom of the last two decades was fuelled by debt (top right).

settlement - which neoliberalism shredded were put in place for a reason.

There are various different theories that explain why markets are prone to cycles of boom and bust. Regardless of the ultimate cause, however, what is clear is that, when people interact through markets, crises invariably occur. The severity and disruption caused by these crises depends on the presence of regulations and mechanisms for preventing them and counter-acting them when they occur. Without any regulation or oversight, markets will frequently collapse completely and will simply cease functioning. In general, regulations that have been put in place exist because, without them, significant problems may occur that threaten the survival of the system.

The neoliberal crusaders who constructed the financial infrastructure of the modern economy were presumably at least vaguely aware of the structural problems inherent in deregulated markets. However, they were able to delude themselves into imagining that modern fiscal and monetary policy mechanisms were of such sophistication and power that the government would be able to prevent the system from ever descending into crisis. This belief was seductive too. Neoliberalism delivered almost three decades of solid growth in profits. The frequent crises that appeared, in accordance with their fears, were managed,

contained and isolated from the rest of the global economy by the International Financial Institutions. The major economies were largely able to avoid recessions - they were contained within developing regions such as East Asia or Latin America.

However, this apparent success in staving off busts in the major economies was based on a serious dose of both voodoo economics and wishful thinking. Every time that the markets got into trouble, central banks would lower interest rates, making it easier for people to borrow money to keep investments flowing. While it might have looked like it was working at the time, this simply amounted to moving bubbles around and keeping on inflating them whenever they looked like bursting. The dotcom bubble was moved into housing and financial services and, all the while, underlying debt was building up. The entire financial system eventually became little more than a massive pyramid scheme.

What made the problem worse was that neoliberalism attacked workers' incomes and conditions as part of its drive to deliver profits to capitalists. Since modern economies such as that of the US are heavily reliant on consumer spending by workers, this creates a basic contradiction. Thus, during the neoliberal era, a large proportion of consumption as well as investment was fuelled by credit. Low interest rates allowed this dependence on credit to

Global Political Repercussions

As soon as the scale of the crisis became clear, all rhetoric about free-markets and competition vanished. Bankers, capitalists and right wing politicians were all suddenly huge believers in the role of the state and the importance of regulation.

It took no time at all for the bankers and various other troubled industries to start demanding public money to bail them out. This showed just how thin capitalism's ideological layer is - they will believe anything and say anything as long as it is in their own immediate interests to do so. Thus far, the neoliberal governments of the world, with their hatred for government interference have poured more than \$10 trillion into bailing out their banks. However, the chain reaction of the collapse in the real economy has caused even more fundamental shifts in economic policy.

Keynsianism



The U.S. government amongst many others has responded to the crisis by adopting programs of economic stimulus. This amounts to a re-birth of the economic thinking of John Maynard Keynes, whereby countries spend their way out of recessions by borrowing heavily and using the money to provide jobs and capital to 'stimulate' the economy, in order to counteract the negative feedback loops that recessions cause. Keynesianism was traditionally associated with Social Democratic policies and the welfare state, so its new popularity marks a fundamental shift from neoliberalism. However, the scale of the crisis and the fact that it is occurring on a global level means

that such responses, alongside the cost of the bank bailouts, have caused an explosion in demand for international credit at precisely the time when it is least available.

China



Due to its large export sector, China is one of the principal creditors between states. However, the slow-down in the Chinese economy is likely to cause unrest amongst the huge and volatile Chinese working class. Whether China can continue to serve as a major international creditor in the long term is uncertain.

USA



The massive cost of the crisis will put pressure on the imperial role of the US. Their public finances will increasingly constrain their ability to serve as the "world's policeman." Significant changes are in motion, exactly how they will turn out is impossible to say, but the world will be different.

mushroom into a huge bubble.

Credit bubbles can only grow so large. At some stage, debt grows to such a stage that the debtors can't afford to service their debt. Thus, when interest rates increased in 2007, a chain reaction of debt-defaults was set in motion all across the global economy. It became clear that, rather than having conquered the boom-bust cycle, neoliberalism had simply managed to build up the greatest boom of all time, and its unwinding would be similarly the greatest bust.

The immediate factor that triggered the rise in interest rates and the onset of the bust was the increase in commodity prices in 2007 (food, energy, minerals...). This represented a new, underlying and extremely serious long term threat to capitalist growth - the supply of commodities is inherently finite, but capitalist growth demands ever more resources as time goes on. At some stage the raw materials available from the earth will fall below demand. The commodity price bubble of 2007 represented the market's opinion that the rates of growth were not sustainable in the long term due to the finite nature of supply.

Although the prices of commodities collapsed along with the credit bubble, the spectre of resource shortages hangs over the system. Any recovery of capitalist growth is likely to lead to another explosion in commodity prices.

Thus, overall, it is fair to say that the crisis of 2007/2008 represents an enormous and unprecedented challenge to the world's economic order. As of March 2009, there is no prospect of recovery on the horizon and the pace of the crisis is, if anything, increasing over time, despite the best efforts of bankers and politicians.

Despite the fact that the crisis has and will continue to cause great suffering for ordinary people all over the world, this is a good time to be a revolutionary. The neoliberal capitalist ideological orthodoxy, which reigned supreme for over three decades has been smashed to smithereens and will never return. Suddenly, there is space for new economic visions that are not based upon capitalist greed and growth. Ordinary people are willing to consider different ideas as to how we should run our economy and in many cases, the impossible circumstances that they find themselves in will force them to seek out such answers.

Nobody can be sure exactly how the current crisis will play out. We know that it will be severe and prolonged, but exactly what will happen is impossible to know. However, it is obvious that the crisis represents a real opportunity for anarchists and other socialists to rebuild support for alternative economic visions.

A new era of revolutionary possibilities lies before us.

IMPERIAL FINANCE

George Stapleton charts the historical development of the global financial order under US hegemony since World War 2

During the course of the twentieth century, capitalism, a European invention, shifted its centre across the Atlantic to the US. In order to get an understanding of how this happened, it's worth going back to the period of European hegemony at the end of the nineteenth century.

The late nineteenth century was the period when the modern economic system, capitalism, emerged as a world system. Although capitalism had established itself in Britain at the start of the nineteenth century, it was not until the end of the century that it emerged as a global system. This period saw the industrialisation of Germany, the Benelux, France and America; the era of the scramble for Africa; the opening of the Suez canal; the switch from sailboats to steamboats; the opening of rail links all across the world; the telegraph etc. Added to this were the mass migrations from the old world to the new and from the country to the cities. All in all, it was an era of unprecedented economic change as the capitalist system expanded outwards from Britain to define the lives of millions across the globe.

This newly global form of capitalism rested on a system of international trade and finance based on the gold standard. The gold standard operated whereby banks held gold and gave their customers notes entitling them to a certain amount of gold. So if you had a £10 note you could go to the Bank of England and ask for

£10 worth of gold and they would give it to you. As such, the value of a currency fluctuated only with the value of gold (or on the odd occasion when a currency was revalued). This made international trade and international finance very safe; it removed a lot of risk. So for example, if you wanted to buy a French product worth 100F, and 100F were worth £10, the French seller would know that he could go to the bank and get out 100F worth of gold with your £10. It didn't matter what the paper said; as long as a currency was convertible into gold it was safe and almost entirely risk free.

The rapid expansion of the world economy would never have been possible without the removal of risk ensured by the gold standard.

World Wars, Economic Ruin and the Turn to Autarky

However, this era of capitalism came to an end with World War 1. By November 1918, the world system that tied global capitalism together was in ruins. World War 1 had marked a major crisis for Europe. Of the Allied Powers, Russia had had a revolution in 1917, while Britain and France, the two major European economies of the Allies had borrowed heavily from America to fund their war effort. This placed Britain and France, previously two of the world's strongest economies, into a position where they were in massive debt.



This is the second of a series of articles covering the financial and money markets from a critical perspective. However, this article is completely independent of the first article, *'Financial Weapons of Mass Destruction'*, which appeared in the previous issue of *Red and Black Revolution*. Despite being part of a wider research project, the author, time-frame and most of the subject matter of both articles are totally separate and the two need not be read together.



WSM Global Finance Research Project

In *'Financial Weapons of Mass Destruction'* Paul Bowman examined the derivatives market and promised that the succeeding article would cover the 'story of the historical development of successive regimes of global financial orders' and would explain the role of the Eurodollars market 'in undermining the Keynesian Bretton Woods system'.

In the interests of space and relevance however, this article only tells the story of the historical development of the regime of global financial order under US hegemony. It begins by examining how the centre of capital accumulation shifted from Europe to the US in the first half of the twentieth century, and how following World War II the global

financial order became centred around the US through the Bretton Woods system. It then looks at how the Bretton Woods System was undermined, concentrating as much on the role of workers militancy as on the role of the Eurodollars market. After considering the response to the crisis of Bretton Woods, it concludes by looking at the Clinton boom, bringing us up to the current situation of the US's current heavy dependence on foreign borrowing.



Unemployed workers queuing for food during the great depression, which started in 1929 and only came to an end with the start of World War 2

The Central powers were both economically and politically destroyed. Both the Austro-Hungarian and Ottoman Empires were dissolved, while a Revolution toppled the Imperial German State. Germany was also burdened with massive war reparations as punishment for 'starting' the war.

These reparations saw large quantities of money flow from the German economy to the Allies. This money in turn flowed from the debt-ridden European powers to their American financiers. Gold flowed from Germany to Britain and France and then to America and thus greatly empowered the US on a global scale. In 1913 America had 26.6% of the world's gold reserves, by 1924 it had 45.7%. The result was monetary chaos in Europe. European banks simply did not have enough gold reserves to continue operating on the gold standard.

In any market, if supply contracts then, with fixed demand, prices rise. What this means in the money market is that if you reduce the supply of money then interest rates increase. If banks have less money to lend they will charge the people they lend money to more. i.e. the price of money increases. If interest rates increase then it becomes more expensive to borrow, so investors don't invest as much. This causes the economy to slow down, jobs to be lost etc. This is precisely what happened in Europe in the interwar period. The contraction in the money supply caused by the flow of money towards

America was followed by mass unemployment and a general economic slow down.

This economic chaos created immense social tension in Europe as the working class grew more and more militant and organised. In response to this continent-wide tension, large sections of the bourgeoisie, backed by landed interests, abandoned the free market and turned to fascism. Meanwhile, in America, the Smoot-Hawley Tariff Act of 1930 marked the end of free trade. Quickly the internationally integrated capitalist system of the prewar period became little more than a memory as country after country shifted to beggar-thy-neighbour style economic policies. This turn to autarky (economic self-reliance) was one of the driving forces behind World War 2. From 1939-1945 Europe again fell into a war of pointless self-destruction.

The Bretton Woods System

When it became evident that the Allies were going to win the Second World War, 730 delegates from all 44 Allied nations met in Bretton Woods, New Hampshire, USA to work out how the international capitalist system would work post-war. What was agreed at Bretton Woods ultimately brought about the creation of the IMF (International Monetary Fund), the World Bank and the World Trade Organisation. The World Bank

was originally called the International Bank for Reconstruction and Development, the WTO was originally called the International Trade Organisation, the US Congress vetoed the setting up of this organisation so instead of it being an organisation it was, until 1994, merely an 'agreement', the General Agreement on Trades and Tariffs.

The reasoning behind this conference was the Allies' ruling class's fear of a repetition of the chaos of the interwar period. They wanted a return to the pre-1914 situation of an internationally integrated and rapidly growing world economy. However, it was clear that after the war Europe would not have enough gold to operate under the gold standard. This turned out to be the case. By 1947, America once again had the bulk of the world's gold reserve: 47%. In place of the gold standard a system was developed, known as the Bretton Woods system, whereby the American dollar would be convertible into gold and every currency would have an exchange rate fixed to the US dollar. Thereby every currency would be convertible into dollars, which, in turn, were convertible into gold. The dollar was as good as gold, and every other currency as good as the dollar.

This gave the rest of the world the economic stability it desired. But, significantly, it also gave America unprecedented economic power as the centre of global capitalism. The Bretton Woods system was managed through the IMF whose headquarters were in Washington DC. The headquarters of the International Bank for Reconstruction and Development (i.e. the World Bank), which oversaw post-war international loans for 'reconstruction and development' was also in Washington DC. The GATT, which facilitated the reduction in trade tariffs and the increase in international trade, was also based in Washington DC.

The Bretton Woods system, was not a free market system i.e. it was not a system where things were determined exclusively by the price mechanism, it was a system that saw intense and constant state involvement in the international economy. Under Bretton Woods, world trade, economic integration and globalisation were in the hands of governments, whereas the central premise of the pre-1914 global system was the absence of such intervention.

The Bretton Woods System Begins to Unravel

The overtly political nature of the Bretton Woods agreement threw up its own problems. By the 1960s, these problems had generated a crisis that threw its continued existence into doubt. The major problems were:



The headquarters of the International Monetary Funds (IMF) in Washington D.C. under heavy guard during a protest. The IMF was created as part of the Bretton Woods system.

1. The Cold War and Vietnam

Firstly, the Vietnam War threw the legitimacy of US hegemony into question within the US itself. An interesting aspect of the Bretton Woods agreement was the difficulty with which it was sold to the American ruling class. Although Bretton Woods did see America become the world hegemon, America had historically been uninterested in world hegemony, preferring isolationist policy and unilateral action. The infamous Smoot-Hawley Act of 1930, which effectively quadrupled import tariffs, drew a large degree of the blame for the total collapse of international trade in the 1930s. As noted above, even with the Bretton Woods agreement, Congress vetoed the creation of an International Trade Organisation. It must therefore be asked why the US agreed to take the position of world hegemon despite such recent history of strongly isolationist stances. The answer was given clearly by the contemporary Republican leader in the House of Representatives, who identified it as a question of “whether there

shall be a coalition between the British sphere and the American sphere or whether there shall be a coalition between the British sphere and the Soviet sphere.” This question did not even need to be asked in countries such as France and Italy, which would surely have gone Communist without American intervention. The legitimacy of the Bretton Woods system in America was therefore tacked to the Cold War and the threat that American Capital believed the USSR posed. In the 60s, the Vietnam War threw the legitimacy of the Cold War and the extent of the Soviet threat into question.

2. The Post-War Settlement and Workers’ Militancy

Secondly, and more importantly, the international post-war peace between labour and Capital was thrown into crisis. The Bretton Woods international system was not, as noted above, a pure free market system. This shift from the free market was mirrored on a national level in almost every Bretton Woods country with the emergence of Social Democracy. The

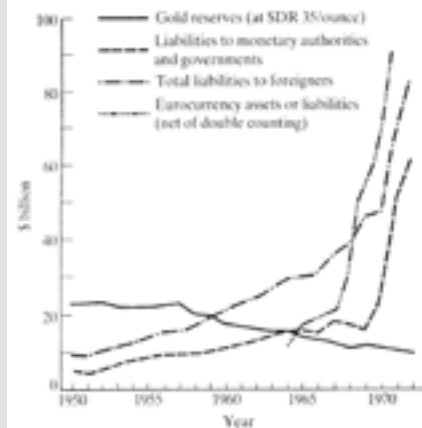
threat of the Soviet Union on an international level was matched in most Western countries by a domestic revolutionary movement. Thus, a major task in post war reconstruction was the need to bring about the defusing of the revolutionary labour movements. This was achieved by the ‘Post War Settlement’, which, simply put, meant that capital agreed to low profit rates, if labour agreed not to have a revolution and, more immediately, agreed to wage restraint. This post-war period was one of unprecedented economic growth, negligible unemployment, massive investment in social housing, education and health care, largely brought about through this post-war settlement. However, this settlement did not see the disempowerment of the working class.

Throughout the period, improvements in living conditions were matched by the increased power of the working class. This period saw the increasing size of the working class, its increased unionisation, large increases in unemployment benefit etc. Then, in the mid- to late-sixties, workers started demanding more than the settlement had granted them.



The Vietnam War

The cost of the US war against South East Asia were such that the US became a major international debtor, rather than its traditional role as a creditor. The Graph on the right shows the rise in US debt and the decline in US gold reserves between 1950 and 1972 (at this stage debts were redeemable with gold).



For instance, some 150 million strike days were taken in France in the revolutionary period of May-June 1968. These strikes resulted in a 10% wage increase, an increase in the minimum wage and extensions of union rights. In Italy, in 1969, some 60 million strike days were taken in a movement led from the shop floor. These also resulted in a 10% wage increase, reduced working hours, parity of treatment when sick for blue and white collar workers and increased union rights. In the UK in 1970-71, 25 million days were taken by striking workers. Such increased working class militancy was also seen in the US, which topped the OECD league table in days on strike per worker in 1967 and again in 1970. These struggles saw a significant increase in wages for workers across the world, increases in unemployment benefit for unemployed workers across the world, increased social investment and so on. Perhaps most significantly, it saw a significant decrease in the rate of profit and an even more significant decrease in the share of national income going to capital. The Post War Settlement was over: the working class wanted more.

These problems were compounded by a further problem for the Bretton Woods system; the emergence of the Eurodollar market.

3. Control of Financial Markets and the Eurodollar Market

The Eurodollar market began in 1957 when, following its 1956 invasion of Hungary, the Soviet Union grew increasingly worried that the US government would freeze (i.e. prevent the withdrawal of) its dollar deposits held in US banks. For this reason, it started transferring its dollar holdings into London based banks. Thus the London based banks were holding dollar deposits outside of the country in which they were legal tender - the US. As these deposits

were outside of the US they were no longer under the jurisdiction of the Federal Reserve (i.e. the US central bank). A Eurodollar is therefore a dollar held outside of the US. You can of course do this with other currencies creating what are known as Eurocurrencies. A Eurocurrency is any currency held outside of the country in which it is legal tender. For example you can have Euro-Yuan, Euro-Yen, Euro-Sterling or even Euro-Euro. It's important to note, however, that Eurocurrencies have nothing to do with the Euro.

Eurodollars became significant in the 1960s as US Multi-National Corporations (MNCs) started investing more and more outside of the US. This Foreign Direct Investment (FDI) by US MNCs was directed primarily into Europe, and, to a lesser degree, South-East Asia. As US MNCs started investing heavily outside of the US they kept many of their deposits in dollars. This migration of capital from the US to Europe led to many US banks entering the Eurodollars market. By 1961 US banks controlled 50% of the market.

These developments created in the Eurodollar market a financial system outside the control of the world's central banks, and therefore largely outside the control of the Bretton Woods arrangement.

With the growth of this unregulated liberal money market, and with the growth of US FDI, total US liabilities to 'foreigners' soon far exceeded the US's gold reserve (see graph above). To deal with this, President Kennedy tried to restrict US foreign lending and investment in 1963. However this attempt backfired. As Eugene Birnbaum of Chase Manhattan Bank explained, "[f]oreign dollar loans that had previously come under the regulatory guidelines of the US government simply moved out of the jurisdictional reach. The result has been the amassing of an immense volume of liquid funds and markets - the world

of Eurodollar finance - outside the regulatory authority of any country or agency".

In brief, a situation had been created whereby US finance had simply migrated from the US into Europe, or more specifically, the City of London. As Andrew Walter put it, "London regained its position as the centre for international financial business, but this business was centred on the dollar and the major players were American banks and their clients".

Collapse of Bretton Woods

Combined with the problem of increased liabilities was a decrease in the US's gold reserves. This arose due to inflationary pressure as the increase in government spending pushed down the value of the dollar, causing foreign dollar holders to convert their dollars into gold.

With the continued growth in the power of the working class, government investment in social services increased. In 1964 the US saw the start of Lyndon Johnson's Great Society program. As the 60s wore on, this program increased in scope, with the increased demands of African-Americans and other sections of the working class for improved living conditions. Adding to this growth in spending was the war in Vietnam, which cost \$518bn (9.4 per cent of GDP). To fund these spending increases the US government resorted to deficit spending and this borrowing drove inflation, so that the dollar was able to buy less; it was worth less.

However, as the dollar was set as being worth a certain amount of gold, it remained at the same value on the international market despite domestic inflation; the dollar was artificially strong. Increasingly holders of dollars became aware of the fact that the value of the dollar was artificially inflated and started converting their dollar holdings into gold, running down



1973 oil crisis

The Organisation of Arab Petroleum Exporting Countries (OAPEC) proclaimed an oil embargo “in response to the U.S. decision to re-supply the Israeli military during the Yom Kippur war.” Meanwhile the OPEC decided to try to stabilize their real incomes by raising world oil prices. This action followed several years of steep income declines after the end of Bretton Woods. It caused the price of oil to increase by a factor of five in the U.S.



the US's gold holding, as shown in the graph above.

The US government was faced with a choice; it could rein in its economy; cut spending, thereby deflating the currency and maintaining the gold value of the dollar. Or it could simply refuse to convert dollars into gold. In August 1971, Nixon did the latter and by 1973, the Bretton Woods system had completely collapsed.

Stagflation, Workers Militancy and the Collapse of Keynesianism

The collapse of Bretton Woods, matched with the explosion of the Eurodollar market, enabled countries to pursue extremely loose monetary policies. Countries cut interest rates to stimulate the economy. These cuts increased the money supply greatly driving inflation. There was too much money chasing too few goods, so the price of those goods increased. If prices increase then the real value of wages decrease as they can no longer buy as much. Therefore, as prices increased, workers demanded higher wages to compensate for the higher cost of living. This caused capitalists to charge even higher prices to maintain profit levels. This system of self-reinforcing inflation was referred to as stagflation because it saw inflation without increased economic growth or decreased unemployment.

A theory that many economic planners at the time were relying on was one element of Keynesian economics known as the Phillips curve. Essentially the Phillips curve is a graphical exposition of the idea that if you have high levels of inflation you will have low levels of unemployment and vice versa. The rationale behind this theory was that if you decrease interest rates you will stimulate the economy by

making it easier to borrow, thereby stimulating investment. As investment increases, the demand for labour increases; unemployment falls and the economy grows.

However, in the 70s, this failed. The West experienced high levels of unemployment despite the fact that by the end of the 1970s interest rates around the world had fallen to below zero (i.e. borrowers were being paid to borrow).

The first reason worth looking at was the aforementioned working class militancy. Workers knew that capital was using inflation to cut real wages and the working class was strong enough to respond to this attack on living conditions. Workers demanded wage increases that at the very least matched inflation. Labour mobilised itself to protect its standard of living. British coal miners slowed work and then went out on strike in early 1974, forcing the country onto a three-day week. Between 1974 and 1979 an average of 12 million days a year were lost to strike action in the UK compared with an average of below 4 million for the 50s and 60s. In Italy intense class struggle saw the development of an “escalator”, which tied wages to inflation. In Portugal, workers took over factories during the Carnation Revolution. In Spain, there was an explosion of class struggle as Franco's rule came to an end. In Germany, the Social Democratic government tried to assuage class struggle with its project of co-determination, which offered workers a voice in the management of the companies they worked for, while in Sweden the government developed the much more radical Meidner plan which was intended to see the gradual transfer of ownership of all enterprises in Sweden to Labour Unions.

The second reason was the 1973 oil crisis where OPEC massively increased the price of oil creating sudden and unexpected price increases across the world for almost every commodity.

This increase in oil prices raised costs and cut into profits, thereby discouraging investment. It also drove inflation above the targeted level, creating uncertainty in the economy, further discouraging investment.

Added to these domestic problems was the further growth of financial markets. The Eurodollar markets received further stimulation from the surplus funds accruing to OPEC countries due to the 1973 oil price hike. As the industrial world experienced stagflation, international banks invested Eurodollar capital in less developed countries, particularly in Latin America. Combined with innovations in financial techniques and instruments, the deregulation of the financial market and the possibilities opened up by modern communications technology, this caused the financial markets to grow rapidly, causing what some have called ‘the financial revolution’. By the end of the 70s, international financial flows (i.e. movement of money between countries) dwarfed trade flows (i.e. movement of goods between countries) by a ratio of about 25 to 1. This expansion created a truly global form of capital, capable of moving from one country to another at the click of a button. This ability to move money enabled capital to escape government regulation or manipulation of the financial markets, and empowered capital to put pressure on government with the threat of disinvestment. By the late 70s, Western capitalism was in crisis. It didn't know how to respond. When a second round of OPEC oil shocks occurred in 1979, it was clear that something drastic had to be done.

Smashing the Unions, the ‘Volcker Shock’ and the Emergence of Neo-liberalism

On August 6th, 1979, President Jimmy Carter appointed Paul Volcker as head of the

Federal Reserve. Immediately Volcker made clear his intentions. As head of the Fed, he would do whatever it took to bring inflation under control and stabilise the currency. This commitment became associated in the popular mind with the monetarism of Milton Friedman, although this is slightly inaccurate. Volcker pushed the short term interest rate up 5% to 15%, eventually bringing it above 20%. Persistent in his drive to bring down inflation, he kept interest rates at these astoundingly high levels until 1982. For capital these interest rate increases, known as the 'Volcker Shock' were like putting brakes on the economy as it began to spin out of control. In order to regain control, the Fed deliberately drove the economy into two successive recessions over this three year period. This raised unemployment to nearly 11%, drove down manufacturing output by 10% and drove down the median family income by an equal 10%.

This attack on working class living standards was secured in 1981 with Ronald Reagan's electoral victory. In this election the Professional Air Traffic Controllers Organisation (PATCO), along with the Teamsters and the Air Line Pilots Association, had departed from tradition and backed Reagan, a Republican, and not Carter, the incumbent Democratic candidate. On August 3rd, 1981, PATCO went out on strike for higher pay, better working conditions and a 32 hour week. This strike was technically illegal as government unions are not allowed to strike in the US. However, a number of government unions had gone on strike before without repercussions. This time it was different. Reagan ordered the PATCO workers back to work, threatening dismissal if they continued the strike. Few complied with these orders and on August 5th, President Reagan fired the 11,345 striking PATCO workers.

The PATCO strike and the 'Volcker Shock' marked the defeat of the working class in the long cycle of struggles that began in the mid 60s, turning the economy definitively in the interests of capital. High interest rates massively increased the return on capital. Financial investors who previously could barely earn rates of return equal to the rate of inflation could now earn the highest profit rates in memory. With the end of inflation and the inspiration of the PATCO strike, employers took a hard line when it came to wage increases. Workers, they held, could no longer demand wage rises in line with inflation so no more increases would be forthcoming. Between 1978 and 1983 real wages in America decreased by over 10%. This decline in real wages was continuous until 1993, by which time real wages were 15%



below 1978 levels.

This transformation had international ramifications. Due to the creation of the global financial market through the growth of the Eurodollars market, other countries were forced to follow suit in raising interest rates. Otherwise, they risked the migration of capital to the higher interest rates of the US. Investors would not buy German government bonds at 7% interest if US government bonds had a rate of 15%. The transformation was also matched by political shifts in Europe. Just prior to Volcker taking charge of the Fed, Thatcher had been elected Prime Minister of the UK. In Germany, for the first time since the mid-sixties, the Social Democrats lost the election in 1982 and the Christian Democrats

came to power. In France, Mitterand's Socialist Party had come to power in 1981 amidst much fanfare, but had to abandon their program for government within two years as Mitterand launched the 'Franc Fort' policy following the 1983 French macroeconomic crisis. As Jeffrey Sachs and Charles Wyplosz noted in 1986, "the government of the left has in the end introduced a tougher, more market oriented programme than anything considered by the previous centre-right administration."

It would be cavalier not to mention here the impact that these interest rate increases had on the developing world, Latin America in particular. As mentioned above, billions of petrodollars were lent to Latin American states in the 70s through the newly global financial

Bill Clinton repeals the Glass-Steagall act in 1999. This act, introduced during the great depression in 1933, separated investment from consumer banking. Its repeal contributed to the financial bubble that collapsed with devastating consequences in 2008



markets. When interest rates increased, Latin American countries had difficulty meeting their debt obligations and, one after another, defaulted causing the 1982 Latin American Debt Crisis. Latin America has yet to recover fully from this crisis, as in the years following, investors were no longer willing to invest in the region. This prolonged recession is referred to as 'the lost decade'. It was this debt crisis and the associated crisis of confidence in the Third World economy that caused and provided justification for the infamous IMF Structural Adjustment Programs of the 80s and 90s

The 'End of History': The defeat of the Left

The 1980s were a turning point which saw the defeat of the working class both in both the West and the Global South. Capital, through its increased power via the freedom of movement granted by financial markets was able to force governments to implement pro-capital, pro-market policies and abandon the expansion in social spending which had defined capitalism since the end of World War 2.

It's also worth mentioning that the contractionary policies of the Reagan administration were directly undermined by its deficit spending. Reagan, while committed to the fairy-tale idea of 'the magic of the marketplace', was even more committed to the equally fairy-tale idea of defeating the 'evil empire' (i.e. the USSR). He massively increased military spending while cutting taxes bringing the top rate down from 70% to 38% in a matter of years. These tax cuts were based on a theory famously advanced by Arthur Laffer, on the back of a napkin while having dinner with Dick Cheney, Donald Rumsfeld and others. This theory, known as the Laffer curve argued

that as taxes got higher people worked less and saved less, and therefore that raising taxes could decrease tax revenue. The idea follows that in order to raise tax revenue you should cut taxes. Needless to say, it didn't work and the US spiralled into debt. This continued under the Bush Sr. administration, which followed Reagan. Between the two administrations the federal debt rose from a postwar low of 33% of GDP in 1981 to 66% in 1993.

By the mid-nineties the defeat of the left and the working class was secure. The old communist parties crumbled and the old social democrats scrambled for the 'third way'. By the mid-nineties, former leftists began coming to power again. In late 1992 Bill Clinton was elected on the back of a campaign that focused clearly on the economy. His unofficial campaign slogan was 'It's the economy, stupid.' After the long years of the 1980s and the jobless recovery following the 1990/91 recession, Americans were eager for something new.

The Clinton Boom

Fortunately for Clinton he was president during an unexpected surge in productivity growth, i.e. the amount of value created by an hour's work. The average annual rate of productivity growth from 1947 to 1973 had been 2.8%, but following the crisis of the late 60s/early 70s productivity growth slumped to 1.4% between 1973 and 1995. Unexpectedly, productivity growth surged in 1995 and from the second half of that year through to the second half of 2000 productivity growth averaged 2.7% annually. This growth in productivity laid the basis for the boom of the mid-late 90s, the now infamous 'New Economy'. This boom was further facilitated by the lax monetary policy of the Fed under Alan Greenspan.

When the Phillips curve ceased to operate in the 1970s, some economists, most famously Milton Friedman, argued there was a 'natural rate of unemployment'. When unemployment was at this rate, decreasing the interest rate would fail to stimulate the economy or reduce unemployment but would simply drive inflation. This was their theory of how stagflation occurred. As this theory grew in popularity the 'natural rate of unemployment' was quickly renamed the more diplomatic 'Non-Accelerating Inflation Rate of Unemployment' or NAIRU.

Through the 1980s and into the 90s the Fed had adhered to this doctrine and estimated that NAIRU was 6%-6.2%. So, when unemployment fell below 6% in 1990, Greenspan increased interest rates to prevent inflation, or 'overheating' of the economy. This interest rate increase slowed down the economy and helped cause the 1990/91 recession. Again in 1994 when unemployment began to fall below 6% he hiked up the interest rate. However, in the second half of 1995 when unemployment fell to 5.7% and he saw no inflationary pressures he broke from the NAIRU theory and didn't increase interest rates. Greenspan then let unemployment fall even further without increasing the interest rate. It fell below 5% in 1997, went to 4.5% in 1998 and in 1999 and 2000 settled at 4%; the lowest unemployment rate since 1969. Throughout this there was little change in the underlying rate of inflation and little change in the interest rate.

The Stock Market Boom and Bubble

This productivity boom drove a stock market boom. However, another major factor contributing to the stock market boom mentioning was the increase in stock ownership. This was driven by the changing nature of the pension industry. Historically, most workers' pension plans were 'defined benefit' pension plans, while today most workers have 'defined contribution' pension plans. The names of these plans explain the difference between them. Under a defined benefit plan, the benefit that workers receive when they draw their pension is defined. Under a defined contribution pension plan, the contribution that workers make to the plan while still working is defined. Defined contribution plans grew in America following changes in the tax code in the late 70s. These changes encouraged workers to agree to defined contribution plans where workers and their employers put money into a tax-sheltered retirement account,

such as 401(k) accounts. The money held in these accounts, these pension funds, was then invested on the financial markets. This meant that workers' pensions were then dependent on the performance of these investments, as under defined contribution plans the benefit at the end is not defined.

The growth in productivity, the expansion in demand in the financial markets caused by the growth of pension funds, a growing amount of delirium caused by the newness of the technology driving the productivity boom and the fact that a similar boom hadn't been seen since the 60s, all combined to cause a massive boom in the stock market which quickly turned into a bubble. As share prices grew and grew, a lot of nonsense began to be expounded. Talk developed of a 'New Economy' where share prices could only go up, where recessions were a thing of the past, where the business cycle was over, where productivity growth could only increase and increase. Many bought into this euphoric idea, and as shares prices were driven up and up, more and more people started speculating on the stock market driving shares further upwards. The demand for shares was seemingly insatiable and as such their price only went up. New Internet companies, the dotcoms, which had little to no real assets, saw their share value go through the roof as everyone looked for the new Yahoo, or AOL. Even people who saw that share prices were artificially inflated entered the market thinking that, provided they got out before the bubble burst, they'd be safe. And, of course, as with all bubbles, burst it did. In March 2000 the value of shares in dotcoms and IT companies began to tumble. Between 2000 and 2002, \$5 trillion dollars in market value of technology companies was wiped out.

This bursting of the bubble was worsened by the attacks of 9-11. The New York Stock Exchange, the American Stock Exchange and the NASDAQ were closed until September 17th following the attacks. When markets reopened the Dow Jones Industrial Index fell 7.1%, its biggest ever one day fall. By the end of the week it was down 14.3%, its biggest ever one week fall. \$1.4 trillion dollars in stock value was lost over this week.

Post 9-11 Jobless Recovery, Property Bubble, Debt

The Fed responded by cutting interest rates sharply from 3.5% down to 3.0%. Then following the bankruptcy of Enron and the accounting scandals that followed, the rates were cut even further to a 50 year low of 1%.

It stayed at this level until 2004 when it was gradually increased until it reached 5.25% in 2006. These low interest rates stimulated the economy and it rose out of recession, meaning that the 2000/2001 recession was one of the briefest and mildest in history.

However, this recovery was not based on growth in employment and did not result in increased earnings for the working class, but was almost exclusively fuelled by borrowing. Instead of job growth, 2002 saw net job losses, which continued into 2003. By November 2004 the economy had still not regained the number of jobs it had lost in the 2000-2001 recession. Wage growth at first stalled, decreasing from 1.5% per annum in the late 90s to 0% by 2003. Then wages began decreasing! From mid 2003 to mid 2005 the median hourly wage fell by more than 1%.

People have referred to the post 9-11 recovery as a jobless recovery. This 'jobless recovery' was almost solely driven by consumer demand and

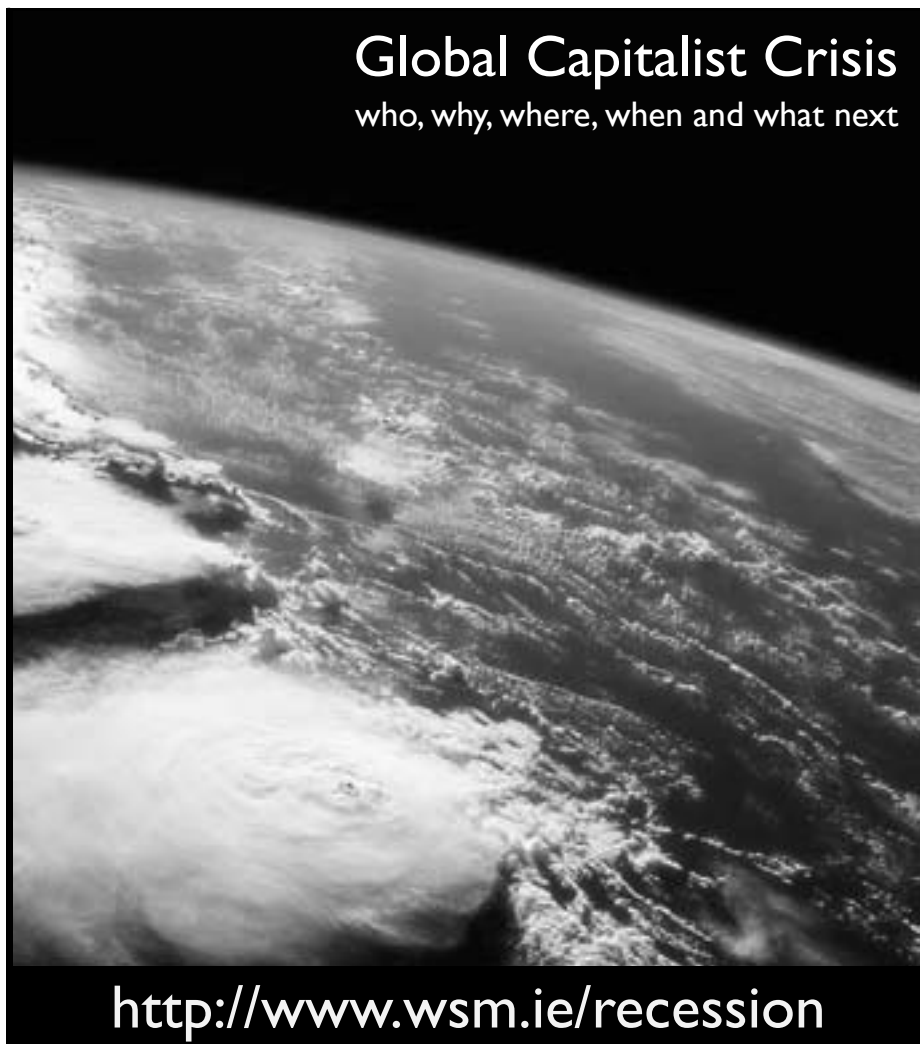
government spending. Despite falling income, consumer spending from November 2001 to August 2004 surged by 9%. This was driven by a \$4 trillion increase in household borrowing between 2000 and 2005. The government was also borrowing heavily, running a current account deficit of more than \$700 billion, the equivalent of 6% of GDP.

This borrowing-driven boom was fuelled firstly by house price inflation and secondly by foreign borrowing, in particular from China.

Housing prices exploded between 2001 and 2007. The incredibly low interest rates of 2001-2004 had made it extremely easy to borrow and acquire credit. This availability of credit enabled more and more people to buy or invest in property driving up the price of property and thereby causing a housing boom.

It important to note that house price inflation is not wealth creation. House prices do not go up because houses become more productive; they go up because of a decrease in

Global Capitalist Crisis who, why, where, when and what next



<http://www.wsm.ie/recession>

supply or, as in this case, an increase in demand. House price inflation does not contribute to the productive capacities of an economy; it merely transfers wealth from the house-buyer to the house-seller. As the Economist points out, “[f]or a given housing stock, when prices rise, the capital gain to the home-owners is offset by the increased future living costs of non-home-owners. Society as a whole is no better off. Rising house prices do not create wealth, they merely redistribute it.” In August 2007 the housing bubble burst, and more than a year later we are still feeling the brunt of this.

US Debt and its Dependence on China

The US was spending far beyond its means during the 2001-2007 period. This behaviour was financed primarily by foreign borrowing, largely from emerging economies, China in particular.

China was buying large amounts of dollar denominated assets, in particular US Treasury bills or T-bills. By buying these assets it drove up the dollar, increasing US demand for Chinese goods & driving down the Yuan keeping the price of Chinese goods low on the international market. An added reason for China (and other emerging economies) to buy dollar denominated assets was to mitigate risk. Following the 1997-98 East Asian Crisis most East Asian countries have tried to accumulate large stocks of dollar denominated assets in order to be able to respond should a speculative attack on their economy occur.

The decreased health of the US economy and its increased dependence on foreign credit has left the US in a significantly decreased position of world economic power. It is no longer possible to say that there are no free-market economies that rival the US in terms of size. It is expected that the Chinese economy will exceed the size of the US economy by 2030, and added to this is the increased integration of the EU economy and the growth of India.

How the decreased economic significance of the US will play out over the forthcoming years is anyone’s guess. It is worth remembering that Europe lost its position as global economic hegemon largely due to excessive borrowing from the US in the first half of this century. Considering how indebted the US is today, this certainly doesn’t bode well for its future. However, as of yet the US faces no realistic challenger and we certainly shouldn’t rule out the US economy bouncing back and reasserting its centrality in and hegemony over global capitalism.



CAPITALISM

The invisible hand is picking your pocket



CAPITALISM

The extraordinary belief that the nastiest of men, for the nastiest of reasons, will somehow work for the benefit of us all.



CAPITALISM

Efficiently allocating resources since 1600

Capitalism, after decades of steady growth and seemingly never-ending prosperity, received a shock during the crisis of the early 70s. That particular crisis signalled the formal end of Keynesianism and marked the emergence of neoliberalism as the dominant capitalist mode of accumulation.

What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government.

Francis Fukuyama, 1989

Neoliberalism allowed the recomposition of the capitalist system and allowed a new expansion in economic growth. However, this growth was far from the steady and optimistic decades of the 50s-60s. The last couple of decades have seen new problems like the synchronised recessions of 2001-2003 and periodic economic crises expressed in different parts of the world. These crises showed unequivocally the growing vulnerability of the world economy and the increasing tide of a new popular movement questioning the global effects of capitalist expansion. This movement was made up of the so-called anti-globalisation movement in the first world and a new type of nationalism in Third World countries – two contradictory expressions of the same basic economic force. So, while we might recognise a recomposition in capitalism and a new wave of its expansion, it has been, to say the least, plagued by internal contradictions.

Despite all the contradictions inherent in this particular type of accumulation model, the main feature of the 1990s was the remarkable expansion of the US to become a unipolar hegemonic power. This was facilitated by a number of international factors:

1. The collapse of the Soviet Union and its area of influence in 1989-1990. This allowed the uncontested expansion of neoliberalism into “virgin” territory, while at the same time it removed the main competitor of the US.
2. The economic crisis in Japan in the mid 90s, the only serious counterweight to US economic might in that decade. It is worth remembering that there was a Japanese-scare in the US from the mid 80s, and chauvinistic attitudes were



THE GLOBE

José Antonio Gutiérrez D. & Seán Flood chart the course of global geo-politics since the end of the Cold War, the emergence of new regional powers and the recurring cycle of crises in neoliberal capitalism that culminated in the great financial crisis of 2008



BAL GAME

Neoliberal Crises - the Highlights

Mexico 1994 - a sudden devaluation of the Peso caused a currency crisis which spread to the rest of South America

South-East Asia 1997 - the Thai Bhat collapsed, triggering a crisis across South East Asia

Russia 1998 - stress on the Ruble due to the Asian crisis caused a stock, bond & currency collapse in August 1998

Brazil 1997-9 - Devaluation of the Real triggered a general economic crisis

Argentina-Uruguay 2001 - capital flight, currency problems & enormous debt burdens caused the economies to collapse.

DotCom 2001-3 - Huge bubble in technology stocks burst, sending US economy into crisis.

Enron, WorldCom, Long Term Capital Management - US corporate failures and scandals

symptomatically expressed in the car industry.

3. The emergence of new information technology (telecoms, the software and biotech revolution, artificial intelligence, etc.)

Thus, the 90s were particularly good for the US: from 1980-2000, GDP grew 93%, investments grew 180% and from 1991 to 1999 profit rates doubled. Between 1996 and 1998 – years that saw economic crisis in other parts of the world, including Mexico and Japan - US corporations saw their profit rates increase by 46.6%.

The spectacular growth of the US economy in the 90s led their neo-conservative intelligentsia to fantasise about the end of history and a never-ending road to prosperity, not to be disturbed by the omnipresent ghost of the revolution once the USSR had fallen. Thus, a new conservative right emerged, representing the most reactionary elements of a reactionary



class. Clear representatives of this trend were the Latin American dictatorships and the rise to power of Margaret Thatcher in the UK, Ronald Reagan in the US, Nakasone in Japan and similar regimes in most of liberal Europe (Belgium, Denmark, Holland).

Social-Democracy, under the tutelage of people like German chancellor Kohl, turned from the centre to the right. Even the Vatican showed signs of this neocon thought, with the emergence of John Paul II, a Cold War pope, who played a not insignificant role in legitimising the Latin American tyrannies and in facilitating the neo-liberalisation of Eastern Europe and, in the process, crushing the leftist

tendencies in the Catholic church. The end of Soviet influence in Eastern Europe resulted in its replacement by extremely conservative right wing politics, which are still dominant to this day. The bulk of the bourgeoisie embraced this reactionary thought and practice.

At an international level, this new capitalist expansion increased pressure on the more vulnerable and dependant economies of the Third World (dependant means that they lack internal dynamism and get all of their input from the exterior). This pressure was exercised mainly through international bodies, representing the hegemonic capitalist block led by US corporations established around the

G7 (later the G8 with the incorporation of Russia), in the form of the IMF, WTO and the WB. Loans and external debts were the main weapons for the gearing of the world economy to the particular needs of this hegemonic block.

The result of this for the Third World was disastrous. Its economies remained stagnant or were completely ruined, as in the extreme case of Haiti, and even in exceptional cases of some dynamism, like the Chilean "miracle", economic growth only translated into growing inequality.

One of the main features of neoliberalism – its drive to open vulnerable economies through its emphasis on free trade – is to pass the effects of crisis from the centre to the periphery. This led to huge economic crises and an absolute impoverishment in the standards of living for vast sectors of the world's population, which were most dramatically seen in the cyclical African famines. As a result of the accumulation of capital in fewer and fewer hands, class contradictions were exacerbated. This was expressed in growing political instability that erupted in major political crises all over the world.

Loss of US Hegemony and the War on Terror

However, by the end of the 90s the first signs of the decline of the US started to emerge. They were mainly expressed in a crisis of overproduction in the first world (that led to an increased emphasis on free trade) and the recurrent devaluations of financial and speculative capital. US productivity indexes improved in relation to the period from the mid 70s to the mid 90s, but they were still behind those from the 50s to the mid 70s.

Then, since the turn of the new century, with the appearance of the Euro, the dollar has been increasingly and steadily losing its influence as a strong international currency. Many central banks around the world diversified their reserves, particularly to Euro, and its importance as an alternative currency in international trade has consistently grown, even in the black markets. This forced the US to impose the dollarisation of whole countries, such as Ecuador, in a desperate measure to keep the dollar afloat.

These all tend to show that, in spite of the growth of the 90s, the neoliberal period has been characterised by monetary instability and recurring economic crises in an increasingly

“Today, the United States enjoys a position of unparalleled military strength and great economic and political influence (...). In a world that is safe, people will be able to make their own lives better. We will defend the peace by fighting terrorists and tyrants. (...) We will extend the peace by encouraging free and open societies on every continent.

Defending our Nation against its enemies is the first and fundamental commitment of the Federal Government. Today, that task has changed dramatically (...) Terrorists are organized to penetrate open societies and to turn the power of modern technologies against us. To defeat this threat we must make use of every tool in our arsenal—military power, better homeland defenses, law enforcement, intelligence, and vigorous efforts to cut off terrorist financing. The war against terrorists of global reach is a global enterprise of uncertain duration.”

George W. Bush, 2002

globalised world economy. The whole period from 2001 to 2003 saw the emergence of a synchronised recession in the up to then most dynamic block of the capitalist world (Japan-Europe-USA): the lack of domestic demand resulting from it pushed the national economies of these countries (as well as those others relying purely upon an intensive raw material exports led model) to higher levels of competition for foreign markets to compensate the problems of overproduction. The direct result of the latter has been the wars of hegemony, on the one hand, and the dominance of free trade agreements in the diplomatic relationships of countries over the last decade.

The US War on Terror started in the middle of a period of recession that saw both Enron and Worldcom, two giant corporations, collapse in a truly Titanic fashion. This war is nothing more than a badly disguised symptom of the need to assume more offensive tactics in order to maintain its hegemony. In a genuinely neo-colonial fashion, they went for the Middle East to grab its resources – namely gas and oil - to prevent oil from being sold in Euro (as Hussein had been willing to do) and to install puppet regimes obedient to their diktats. Needless to say, war is itself a big business: let us remember that the economic collapse of 1929 was only turned around by World War 2. In a similar



Glossary - Alphabet Soup of Empire

	Global	Americas
G7	Group of Seven Industrialised Countries (USA, UK, France, Germany, Italy, Canada, Japan)	FTAA Free Trade Area of the Americas (Negotiations collapsed in 2005)
G8	The G7 plus Russia	Europe
IMF	International Monetary Funds	ERT European Round Table of Industrialists
WTO	World Trade Organisation	UNICE Union of Industrial and Employers' Confederations of Europe (now BusinessEurope)
WB	World Bank	CFSP EU Common Foreign & Security Policy
	Latin America	EUfor EU military Force
MERCOSUR	Mercado Común del Sur - trade Agreement between Argentina, Brazil, Paraguay and Uruguay	Asia
UNASUR	Union of South American Nations (includes all 12 independent states)	SCO Shanghai Cooperation Organisation, a security pact involving China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan.
CAN	Andean Community of Nations (Bolivia, Colombia, Ecuador, Peru)	ASEAN Association of Southeast Asian Nations, a geo-political and economic block of 10 South East Asian countries.
ALBA	Bolivarian Alternative for the Americas, includes Venezuela, Cuba, Bolivia, Nicaragua and Dominica.	



fashion, some US scholars have discussed the potential for the Iraqi adventure to serve as a stimulus for the US economy. Economist Paul Samuelson went so far as to say that the Iraq war would be beneficial as it would prevent a recession.

In fact, however, the pronounced violence of the international policy of the US Department of State is more a sign of weakness than of real might. The war, though producing great profits for the oil barons, has proved disastrous for the US public treasury: According to former World Bank director Joseph Stiglitz, the war is costing \$12 billion monthly, and together with interest, it will have cost \$3 trillion by 2017. The heavy military spending, coupled with tax cuts, has created important economic imbalances in the US economy and has deepened the levels of indebtedness of this State, one of the most indebted countries in the whole world. This, needless to say, contributed to further deterioration in the crisis of the dollar. Another classical example of how neoliberalism works: the profits are always private, while the losses are always public. This, in the long term, is unsustainable.

This instability and the contradictions

inherent to this sort of economic development, never mind those created by the “imperialist” solution the US found to the crisis, drove vast sectors of the world “out of order” and the US, despite its hegemonic aspirations, has proved unable to keep it in order. Despite all the platitudes in the 90s about the “global” vision, the soon-to-emerge global government and the demise of the State, what we have seen, is that multinational bodies have been unable to cope with the crises and that the US is incapable of keeping the undisputed hegemony it has enjoyed for over a decade or longer.

What we see, as a direct result of the above, is the emergence of regional actors that are acting not only as economic counterbalances to the US, but also, because of their economic position, filling the authority vacuum in many parts of the world. This is starting to radically change the face of the world and the US will soon not be able to hold the reins on its own. There are plenty of signs: China’s role in the recent nuclear crisis of North Korea is quite telling, so was the fact that Bush had to engage, in one way or another, with Syria and Iran in the Iraqi mess. Russia itself has walked a long distance from Yeltsin to Putin, and even within

the G8 he has contested US supremacy.

Even the imperialist armed interventions are very telling: in both Iraq and Afghanistan the US was able to intervene directly and only used the “coalition” as a façade to hide its imperialist nature (although half way through they became desperate to genuinely involve the rest of the world whose opinion they had dismissed initially). In other recent cases they have proved unable to act alone, needing local puppets as genuine allies. This has inaugurated a new method of imperialist intervention that doesn’t rely only on their own forces and local mercenaries, as was the case in Central America in the 80s, for instance. The US has come to require local allies as key elements in which there is a shared bounty and in which both parties have something to win over a third losing party.

Haiti in Latin America has been the clearest example of this – the US relies on a Latin American military presence there, mainly from Argentina, Brazil and Chile. In Africa, we have the recent case of the invasion of Somalia by Ethiopian forces. We see the US acting through proxies not in the usual form – but actually following regional States. And, in return, the local allies get rewarded by a grateful “international community” for helping to keep the world in order: Brazil has seen its own investments in Haiti increase, while their prestige as a hemispherical stabilizing force is earning credits towards its long desired goal of entering the club of the permanent members of the UN Security Council. Not surprisingly, the UN-SC has been a space where the new regional powers are making a claim to be included – this is very indicative.

Emergence of Regional Powers

Over the last decade, International affairs have been marked by the scramble to secure energy resources and the emergence of new powers operating at a regional and global level. While the US desperately manoeuvres to remain the international hegemon, alternative poles are beginning to emerge that challenge their ability to operate with impunity on a global level and to keep a firm grip on global developments; the recent war in Georgia and the way in which Iran has systematically rejected Western pressure on its nuclear programme, are nothing but the most recent reminders of the ever-changing global scenario and the inability of the US to establish its will in the way it could a decade ago. At present, the EU already

exports more than twice the Foreign Direct Investments than the US (47% and 20% of the total respectively, in 2005). This is a further sign of how the US has been lagging behind other economic blocks.

Asia is probably the place where the emergence of a new economic pole is clearer than anywhere else. Following the reconfiguration of the Chinese economy to encourage foreign investment and the collapse of the East Asian “tigers” in the 1990’s, China has seen massive economic growth over the past decade - an average of 9.8% over 12 years. China now has the largest foreign exchange reserves in the world, about \$1 trillion. It is the world’s fourth largest economy and has been successfully integrated into the international economy, making significant advances into most world markets and swiftly taking over the African continent, one of the largest mineral sources of the world. China is now Africa’s second biggest trade partner after the US. Chinese-African trade increased from €6.75 Billion in 2000 to just over €47.3 Billion in 2007.

Russia can by no means be considered an emerging power, considering the role the USSR played for half a century. It can more accurately be thought of as a re-emerging power. Russia has experienced a recovery from the neoliberal shock therapy of the 1990s by introducing increased state control; especially of its energy industries. Much of the underdeveloped oil and gas reserves in Central Asia lie in Russian

territory, or within its sphere of influence, making Russia a major player in the global arena. While a number of the Central Asian republics attempted to realign themselves with the US following the invasion of Afghanistan, the threat of US-funded orange revolutions, and the increasing assertiveness of Moscow, has driven them back into the Russian orbit. Russia itself saw such manoeuvring by the United States as hostile to its interests and responded by seeking closer links with China.

These emerging powers have attempted to set up alternative frameworks in which to cooperate and build links, outside the US-dominated global organisations. Numerous free trade areas and organisations for cooperation have been established such as SCO and ASEAN. One of the most significant of these is Shanghai Cooperation Organisation consisting of Russia, China and a number of the “stans”. India, Pakistan and Iran have observer status in the organisation. Covering an area of 30 million square kilometres, or about three-fifths of Eurasia, the SCO controls a large part of global oil and gas reserves and includes two of the world’s five declared nuclear powers. The SCO has the potential to develop into a counterweight to US influence in the region and is currently resisting US interference in the region. For example it has called for the withdrawal of US troops from the central Asian republics.

India, like China, underwent rapid economic development over the last ten years with high GDP growth and foreign investment. This led to India competing with China for scarce natural resources. The United States has attempted to capitalise on this by using India as a regional supporter to maintain US influence in the subcontinent and beyond. China on the other hand is attempting to bring India into the SCO and other regional bodies arguing that the developing countries should unite against the developed countries that have a stranglehold over the global economy. So far India has remained ambivalent and has attempted to please both sides.

Similar alignments can be seen in Latin America; the last decade has seen initiatives such as MERCOSUR and UNASUR being stimulated by a new type of reformism. Two clearly different examples of this phenomenon can be seen in the figures of Lula, from Brazil, and Chávez from Venezuela. Both are seeking to establish a new pole of leadership in the region and talks are emerging of a new type of economic integration of the sub-continent, exemplified by the IRSA project for regional

integration of energy and infrastructure, pushed by Brazil and with the Venezuelan-led ALBA, which aims to turn itself into an alternative to the failed Free Trade Area of the Americas (FTAA) formulated by Washington.

“You can’t hold a sword over Brazil’s head for you sell us your gas. We may as well hold a sword over your head, since it is us who buy your gas. And if you don’t sell it to us, it is quite difficult that you will be able to sell it to someone else”

Brazilian President Lula, 2006
(warning Bolivia against gas nationalisation)

Brazil is Latin America’s most industrial power and its largest economy. In the past number of years Lula has put a lot of effort into forging links with India and South Africa in an effort to create a Third World power block. Brazil’s role as a regional sub-imperialist power is evidenced by its actions in leading the UN occupation of Haiti, its role in extracting gas in Bolivia etc. When Bolivian president Evo Morales announced the nationalisation of gas and oil reserves on Mayday 2007, Lula was the main critical voice against this move.

The rise of a neo-developmental Left in Latin America, the so-called “Pink Tide”, on the back of mass popular movements, can be understood in the context of the crisis of capital accumulation that swept the continent around the turn of the millennium. The “moderate left”, is readjusting the local capitalist structures to the new circumstances and the main actors in the so called shift to the Left – Brazil and Venezuela – are betting on making it onto the international scene as new emerging powers.

But, although the foundations for the emergence of a new regional block have been laid, the US still maintains a strong presence in Latin America. Although it failed to establish the FTAA, it has, nonetheless, established bilateral agreements with countries such as Chile and Perú, and Colombia is ready to follow suit. The latter country is the stronghold of US presence in the region, a presence that has been reinforced through Plan Colombia, which has delivered around \$5 billion since the late ‘90s in military aid. Colombia has also served as an intermediary for the conflicts between the US and Venezuela. The contradictions between the local powers such as Brazil and Venezuela, and between these powers and foreign imperialist



Under President Vladimir Putin’s regime, Russia became increasingly assertive on the world stage

presence (US and EU) and their staunch local allies (Chile, Perú, Colombia), but also, between increasingly combative popular movements and traditional power structures, provide the framework to understand the recent political developments in Latin America.

These developments are far from clear in terms of where they will end up and they are still marked by a fast pace of change and uncertainty. Although many possible options lie ahead, it is hard at this stage to have a clear picture of how all these contradictions will be solved and what place will be reserved for popular movements in the solving of them.

The emergence of these new blocks has been stimulated, and one could say even made possible, because of the decline of US influence and of the International Financial Institutions such as the WB and the IMF, which have been seriously discredited after their programs have translated into recipes for disaster all over the world, but particularly in Asia, and as many of the former major debtor countries, such as Brazil, have cancelled their commitments to these institutions and have decided not to

borrow anymore from them. This has given traditionally Third World economies more room for manoeuvre, what has been reflected in the systematic failure of the WTO rounds of negotiations. To a great extent, these express the inability of “First World” economies to impose their absolute will on the rest of the world.

The social movements themselves and the governments that have come out of the crises have often been put in the same basket. However, while the former have actually shifted to the left, the various leftist parties and movements in Latin America that have entered government over the past couple of years have shifted notoriously to the right of their former positions, the P.T. of Lula being the most pathetic example. The only exception to this trend is Chavez, who has moved further to the Left, although still not beyond a “developmentalist” framework.

The European Union and the Global Europe Project

After World War 2, Europe was left in ruins.

Each of its imperial powers lost their hegemony in the world, a place quickly taken by the US and the USSR. This loss of hegemony added to the new bipolar nature of the world. National markets were still restricted and the loss of their former colonies in Asia, Africa and the Caribbean, led the main European economies to look for ways to create a common market to strengthen their respective bourgeoisies in the face of increasingly fierce international competition. This led to the foundation of the European project, which was launched formally with the Treaty of Rome in 1957. After many name-changes and treaties, the EU was adopted with the Maastricht Treaty in 1992.

At its beginnings the EU (then EEC) followed a Keynesian model based on a welfare state. However, the repercussions of the energy crises of the ‘70s and the consequent cycles of recession, inflation and unemployment pushed Europe towards emerging neoliberal and neo-conservative politics. Since the ‘80s, under pressure from the business blocks within the EEC (ERT and UNICE), the Community took a neoliberal turn. Increasingly, there were



Presidents Hugo Chávez of Venezuela and Lula da Silva of Brazil, signing a bi-lateral agreement in 2005



In 2008, an EU force was deployed to Chad, including a contingent of troops from supposedly ‘neutral’ Ireland

demands for the implementation of free trade and liberalisation of internal markets, and attacks on the welfare system which Europe had employed over the previous three decades. The EEC also started promoting a homogenous economic space which would result in the Single European Act in 1986, creating a single market. This project was further advanced with the Maastricht Treaty in 1992, which consolidated the neoliberal attacks on workers’ rights and the public sector of the economy. Maastricht also advanced Economic and Monetary Union (EMU) which concentrated economic decision making power in the European Central Bank and eventually produced the emergence of the Euro as the EU’s currency in 2002.

Although the EU was born under the umbrella of the US, from at least as early as the 1960s, it was looking for ways to assert its own global project. The Cold War, however, prevented this project from every really taking off. It acted as a buffer against internal tensions, derived from competition between the US and Europe, within the Western capitalist block. The end of the Cold War in 1990 opened new opportunities to the East, and the “New World Order” made it possible for Europe to do without the military tutelage of the US and thus begin to assert its own independent capitalist project. This has caused the EU to pursue a more aggressive international approach.

This approach was made explicit with the “Strategy of Global Europe”, outlined by the European Trade Commission in 2006, which seeks to dismantle the remnants of the welfare

“Europe’s trade policy must become an integral part of its wider approach to economic reform and competitiveness. A stronger EU economy at home means Europe has to be more competitive abroad. We need to open markets and create new opportunities for trade and ensure European companies are able to compete fairly in those markets (...) If our economic strength is built on trade, then our prosperity is directly linked to the openness of the markets we try to sell to (...) And tackling barriers abroad is not just about lowering tariffs - it is about creating markets in which European companies get a fair deal, with freedom to compete and legal protection when they do.”

Peter Mandelson, 2006

state by turning Europe into a “competitive” global actor; a competitiveness hindered by “obnoxious” trade unions and the “stubborn” desire of European workers to have a decent and comfortable life. The strategy also includes an aggressive economic agenda towards the Third World, expressed mainly in terms of free trade areas disguised as “Economic Partnership Agreements” and “Association Agreements”. In these arrangements, there are usually three areas for negotiations – cooperation, political dialogue and free trade; the latter is the really important one. Just as the US has been trying

to create its own FTAA in Latin America, and because of its failure to do so, has pushed then bilateral agreements, the negotiations of the EU emphasize “regional integration”, but only to the service of big business – despite the empty humanist rhetoric of the EU, the truth is that its trade agreements have been as aggressive as anything the US has tried to achieve in international trade, pushing far beyond the rules of the WTO. Bi-regional agreements (EU-MERCOSUR; EU-CAN, etc.) simplify negotiations and deliver the benefits of combined markets. The economic presence of the EU in Europe’s traditional areas of influence, Asia and Africa, is significant. Even in Latin America, the US’s traditional backyard, the EU has already displaced it as the main investor and donor, and stands threateningly as second trade partner for the region.

This context of heavy competition for international markets requires the EU to advance the European project far beyond its traditional economic cooperation framework into the political, judicial and economic arena. This is needed in order to regain its lost ground as an international power. Maastricht was an important step in that direction. Since then, there have been systematic attempts to concentrate power in the European Commission, under the influence of the ERT and the industrialists.

This centralising spirit lies at the heart of the Lisbon Treaty of 2007, which was an attempt at revamping the moribund EU constitution. The constitution was rejected in 2005 but remains

a fundamental aspect of the institutional construction of the EU as an imperialist force. This project not only aims to create the necessary centralisation of political power that will help the EU to become a real global competitor to US hegemony, it is also creating an independent and unified military force, necessary to become a world power and to keep its international markets under control.

The creation of this military force started with Maastricht, in which the Common Foreign and Security Policy (CFSP) was introduced. In 1995 Eurfor was created as a Rapid Reaction Force for “humanitarian” military interventions. However, it was only when Javier Solana, ex-general secretary of NATO, assumed the position of High Representative for the CFSP in 1999, that decisive steps were taken towards an EU military force directly under the command of the European Commission. This became the EUfor in 2003 and it is based on what has been called the “Solana Doctrine”, which is nothing but the European version of the “war on terror”. Its main objective is to create the necessary military power to act against “terrorism”, “organised crime” and “failed states” – all, as usual, loosely defined, in order to allow the EU bourgeoisie and bureaucrats to use this force whenever they feel their interests are threatened. The similarity with US rhetoric is amazing, showing the true imperialist credentials of the EU – the Solana Doctrine goes so far as to state the need for EUfor to be able to carry out pre-emptive strikes.

If it can create a coherent political and military force to back its competitiveness, the EU will be in a position to guarantee its markets and their expansion without the risk of being challenged by local forces or competitors, such as China or even the US. In Africa, we are already witnessing the EU and China flexing their muscles with the current crisis in Chad and Sudan where, behind all of the platitudes about human rights and sovereignty, it amounts to a naked dispute over markets and access to resources.

Notwithstanding its steady growth and assertiveness on a global scale, the main threat to the EU’s consolidation comes from within: there’s a growing sentiment of hostility and indifference from the populations of its member states. At the root of this dissatisfaction lie two contradictory forces: on the one hand, resentment against neoliberalism, driven by “left of centre” opposition from the partisans of “Social Europe”; and on the other, the growth in nationalist feelings driven by the far right. Also, the divisive role played by the US can’t

be underestimated. This was exacerbated by the War on Terror and the subservience of the European neocons such as Blair, Aznar and Sarkozy. The accession of the Eastern European states in 2004 also brought a significant number of countries into the Union who were heavily influenced by the US.

This popular disenchantment was vividly expressed in the EU parliamentary elections of 2004 which saw high levels of abstentionism. On average, only 45% of EU citizens voted, statistics that were even lower in the new EU member states, where on average only 26% voted. Disenchantment was also seen in the referenda which rejected the EU Constitution in 2005 and the Lisbon Treaty in June 2007. This has created difficulties in the process of political integration required by the EU if it is to become a serious player on the global stage. Nevertheless the principal objective of the ruling classes remains, without modifying their neoliberal and imperialist politics, the rebuilding of consensus around the Global European project and its many domestic implications.

Prospects at the end of history

“Daddy Comes Home in a Coffin - U.S. Explorer’s Last Journey on Ice.

By M. Biswas

Somewhere in America in a neat little red-roofed cottage four children ask their mother every day, ‘Mummy, when is Daddy coming home?’

Less than a year ago Daddy –George Elmer Edman, the celebrated traveller and explorer- left home to explore the Amazon.

Well, I have news for you, kiddies. Daddy is on his way home. Yesterday he passed through Trinidad. In a coffin”

V. S. Naipaul, “A House for Mr. Biswas”, 1961

Undoubtedly, we are far from the neocon utopia of the end of history. The changes and realignments in global politics and economics over the last two decades have been vertiginous. The main characteristics we can see are:

1. The loss of undisputed US hegemony that emerged as the main result of the end of the Cold War. This loss of hegemony is expressed in a political,

economic, diplomatic and military crisis faced by the sole super-power of the last two decades.

2. The emergence of regional powers which are ready to fill the void created by the loss of US hegemony. These regional powers are mostly vying locally for hegemony in their respective areas of the world, but China and the EU are increasingly in position to mount serious challenges on the global stage.
3. Increased competition for markets and influence, caused by the emergence of new regional powers and declining US influence and their desperately violent attempts to retain it. This is setting the scene for competition that might, here and there, result in open military aggressions. The logic of capitalist competition, now as much as ever before, will lead towards new wars of hegemony, which we are already starting to witness.

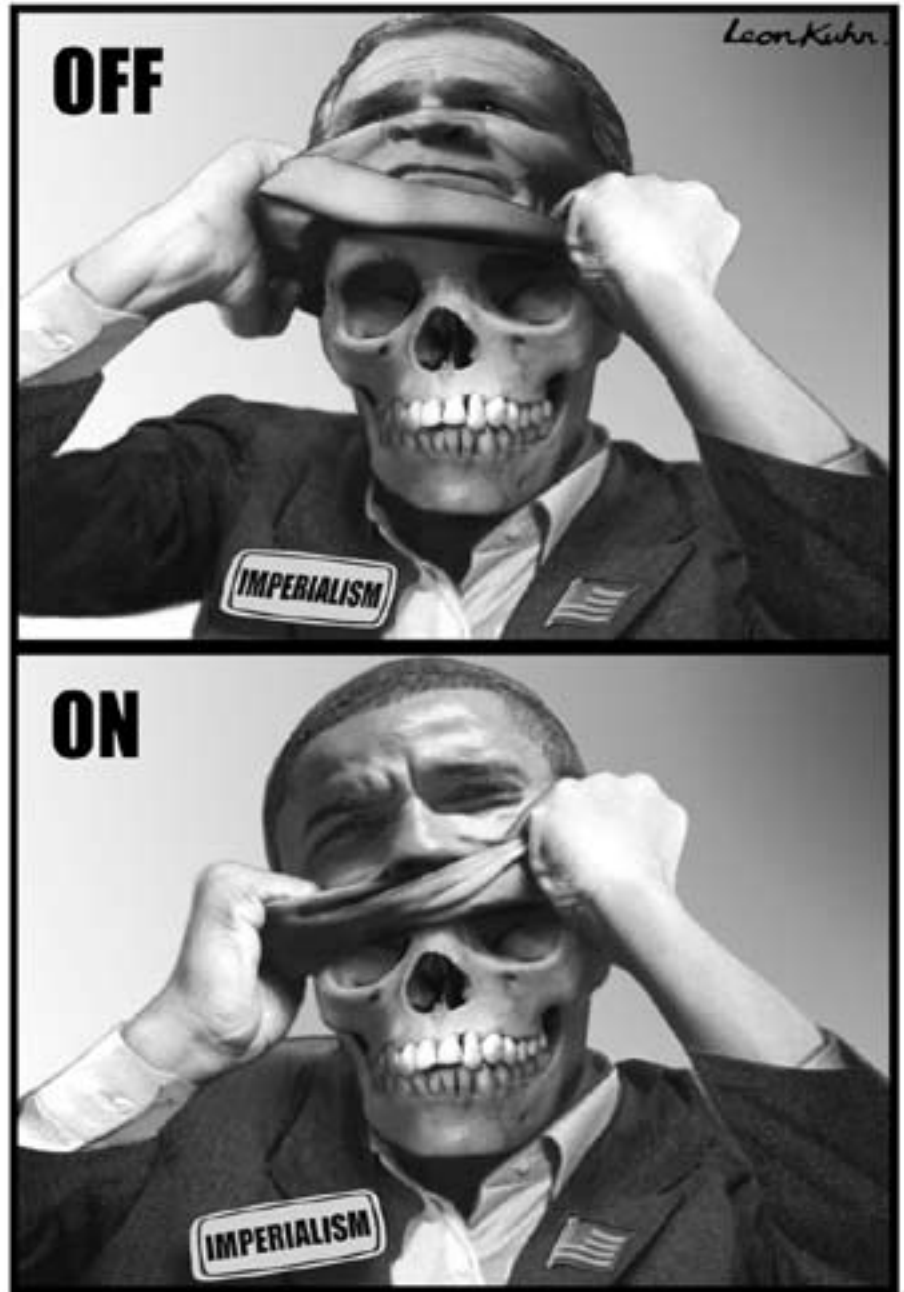
One of the most important conclusions to be derived from all of this is that the loss of US influence does not equal, in a mechanical way, the collapse or the weakening of capitalism as such, nor does it necessarily mean the disappearance of international relations that can be classified as imperialistic. Capitalism, as a global system based primarily on the exploitation of labour by capital, has a tremendous elasticity and capacity to survive different crises. At present, because of the IT development and the globalisation of capital to unprecedented levels, crises are having deeper effects in the remotest parts of the world and are happening more and more often. Never before in history have crises been so coordinated as they are today. Never have they come in such quick succession. Indeed, it is the case nowadays that, before global capitalism can emerge from a crisis, another one has already started.

Today, there’s a further element which exacerbates the crisis: climate change. It is true that capitalism, in its long historical development, wiped entire populations from the globe. Genocide is nothing alien to capitalism. But the possibility of humanity being at risk of annihilation, although envisaged during the Cold War with the nuclear threat, is now not only a possibility that may or may not happen, but is the medium term prospect for humanity – if things don’t change radically. The environmental problems are proving beyond doubt that the current system - capitalism as we know it - is unsustainable in the long term and will end up digging humanity’s grave.

Some on the left, disciples of a religious and apocalyptic world view, are expecting this to be the final crisis leading to the golden age of socialism. But capitalism has thus far been able to come out of every single crisis it has experienced. Will capitalism be able to emerge strengthened out of the current environmental crisis? Many say it won't, that the short-sightedness of the bourgeoisie, particularly, in the major economies, can't be reformed. The US refusal to sign up the Kyoto agreements and Europe's half-hearted compromise to reduce its emissions – not to talk of China's complete disregard for any environmental concern – are proof of that. The alternatives are clear: obliteration or socialism. Sectors of the bourgeoisie led by Al Gore, however, are already exploring the problem posed by global warming from a capitalist point of view, and the possibility of green reforms to the system is actually on the table.

But it is not for us to wonder whether capitalism will adapt to face the environmental challenge and solve this new crisis or not. Given the graveness of the possibility of humanity's extermination, we cannot step back and "see what happens." For what may happen could be an environmental holocaust of unexpected proportions. It is up to us to put forward our own libertarian alternatives to prevent the worst possible scenario from becoming a reality and, at the same time, to make sure we are never again at this crossroads.

Capitalism will not fall under its own weight. Crises may happen, as they have been happening for some centuries, but in the absence of a clear revolutionary alternative and an organised people to implement it, sectors of the bourgeoisie can use these crises in order to rearrange the system to serve their own particular interests. One imperialist power will fall, and another one will emerge. Some may be ruined, but another sector of the bourgeoisie will be quick to replace them. What we are witnessing at present is mainly a realignment of the capitalist balance of power: a realignment which takes place against a background of social turmoil, anti-imperialist struggle, wars, occupations and an unbearable pressure on the working class. Some equate the demise of US hegemony with the end of imperialism and the emergence of regional powers as the beginning of the end of capitalism. We are far from believing so. Neither the EU, nor China nor Brazil are real alternatives, nor will they be a "socialist" counterweight to the US. Both are projects as capitalist and imperialist in nature as those carried by the US for most of the 20th century.



Is it possible for the working class to create its own autonomous alternatives in the midst of the crisis? Is it possible to take advantage of the context of intra-bourgeois and intra-imperialist struggles to build revolutionary horizons? Do anti-imperialist struggles, up to now dominated by authoritarian tendencies, have much of a potential to become anti-capitalist struggles? Even if they don't have much, do they open much of a space for such an anti-capitalist and openly socialist alternative? What is the effect of those struggles in different continents? Is it possible for the Third World working masses

to break the chains of dependency without becoming the prey of local powers? Is it possible to move forward the need to break relations of dependency to the creation of a complete different type of society, built from below? These questions and many others are part of the challenge faced by the revolutionary and libertarian movement. Certainly, the contradictions of the current historical moment have to be well understood in order to be able to play a role in them and use them as points of fracture where the revolutionary movement can have a say.

COMPLEX SYSTEMS & ANARCHISM

Analysing human societies as complex systems can provide an insight into historical processes and the strengths and weaknesses of capitalism

Complex systems theory is a scientific theory coming out of a tradition of catastrophe theory, chaos theory, control theory, and especially cybernetics. Complex systems theory arises as a rejection of the traditional programme of reductionist science. It rejects reductionism as being both unnecessary and intractable.

Traditional physics has attempted to find fundamental laws at the smallest granularity possible. However, it is now known that because of the nature of interactions at very detailed granularity, it can be computationally intractable to predict behaviour of aggregate systems. Water, for instance, is best described (under most conditions) with fluid flow equations which describe aggregate behaviour with relatively simple (non-linear) equations. Attempting to describe it as an aggregate wave function of 10^{26} interacting quantum particles is not computationally feasible. Instead complex systems theory attempts to describe systems at a natural granularity that allows for tractable prediction of behaviour.

One of the fundamental notions in complex systems is that of emergent behaviour. That is, from a system with a large number of actors with simple rules, can emerge complex behaviour. This is an echo of the notion of a metasystem transition which was expressed by the cyberneticists [4]. Some of the earliest descriptions of emergent behaviour actually come out of the Austrian school of economics and can be seen in the writings of Ludwig

Von Mises, where he describes the aggregate behaviour of capitalism as a type of optimisation which arises as a result of the self-interest of the actors [3].

There are a number of rules-of-thumb that systems theory gives us as tools of analysis for understanding actors and the emergence of aggregate actors [1]. If you have a simple system interacting with a complex environment, it will have a low probability of maintaining its identity, that is, its internal structural integrity. Complex systems can interact with a complex environment in such a way that they have a higher probability of survival. We see that simple organisms in nature often have a strategy of massive reproduction because of the low likelihood of survival, which is in contrast to the method used by humans.

Complex systems theory and society

In order to understand how societies can be modelled by systems theory it is instructive to look at some simple examples. In feudal Europe the organisation of society was exceptionally hierarchical. This is modeled in systems theory by a sort of control graph, which is a tree, with the lord at the top and his immediate vassals below him. In this structure it was possible to approximate, in many circumstances, control over a group of people with control over the leader of the hierarchy. This has a large number

of consequences. If the behaviour of the system can be modeled by behaviour of the lord, then the system can not act in ways more complex than the lord. Because of this, the system remains simple. It also means that the system can easily act *coherently*. It is capable of leading armies, and interacting with other feudal states in simple ways.

In reality no perfect control hierarchies exist. There will always be lateral control links, various types of conspiratorial actions etc. However, for feudalism this model often remains a good approximation.

As we move through history to early capitalism we start seeing a move towards more "hybrid" models of control, where many more lateral links exist and the system takes on the possibility of evolving more decentralised, more complex behaviours. In addition, it becomes less brittle. One might conjecture that feudalism was in some sense doomed when capitalism arose because the environment of interaction became too complex.

The modern world has moved to a highly interconnected network-model capitalism. This is almost the antithesis of feudalism within the framework of the connectivity of the model.

It is important to note a few things about the network model. Networks can have vary different internal structure. A large amount of interconnectedness does not rule out particular

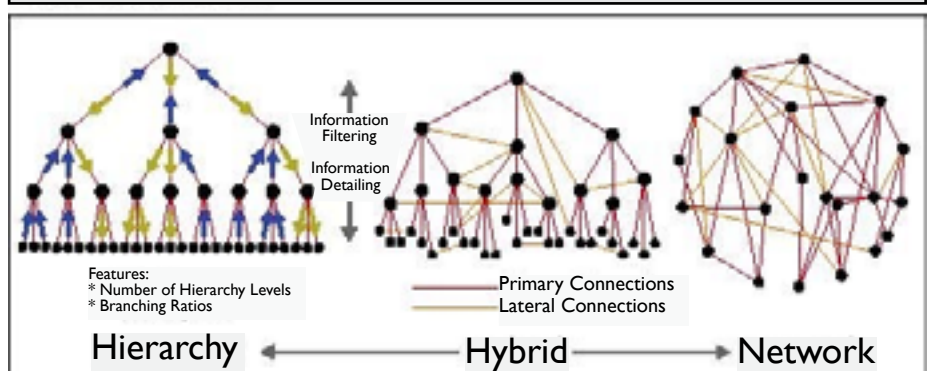
Glossary

Intractable - Problems that can be solved in theory, but not fast enough for the solution to be usable on human time scales.

Reductionism - An approach to understanding the nature of complex things by reducing them to the interactions of their parts, or to simpler, more fundamental things

Neo-Classical economics - A general approach to economics focusing on the determination of prices, outputs, and income distributions in markets through supply and demand.

Control Structures



internal patterns, in fact we know that many complex systems, including social networks, don't have "random" graph structures. This internal structure can have big effects on emergent behaviour. All networks are *not* the same.

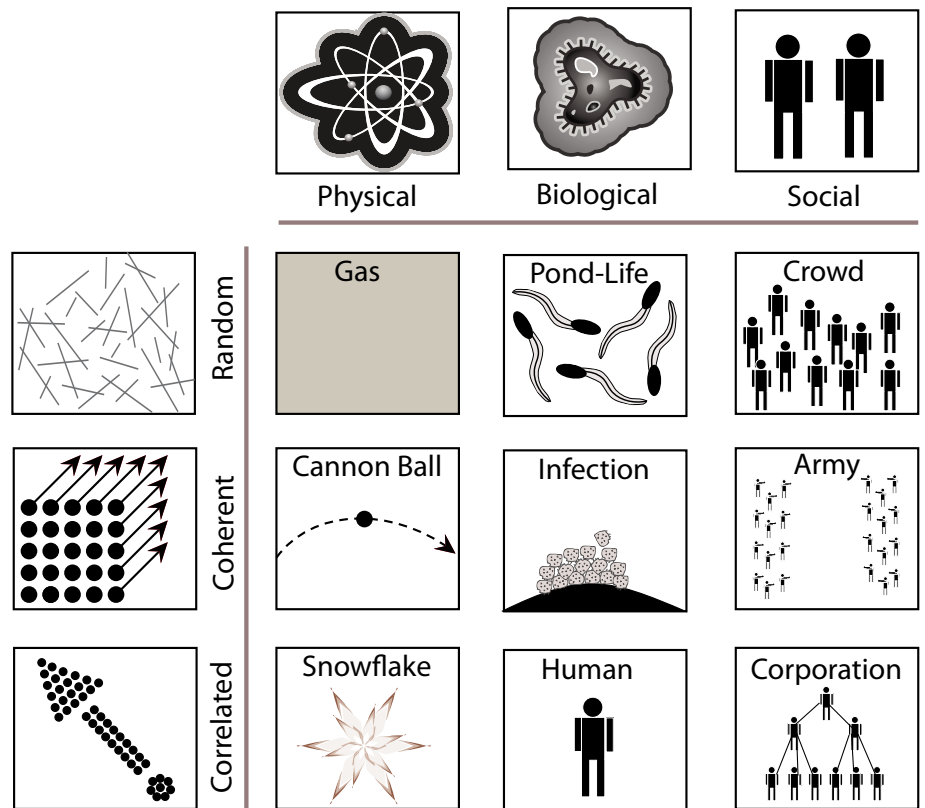
In addition, the emergent behaviour of the system is *strongly* dependent on the interaction paradigm of the actors. The current economic system is a result of the paradigm of capitalist social relations. There is nothing "naturalistic" about the emergence of capitalism from these social relationships. It's a bi-product of person to person social institutions.

The atomisation of actors is arbitrary. It is actually often the case that systems can be re-atomised into a different notion of actor or communication. A good example of this is class politics. The analytical framework of the state, the bourgeoisie and the working class reifies entities and their interactions in ways that are easier to analyse than the mass interactions. This gives a mechanism for feasible reasoning about economics. This is in stark contrast to the obliteration of class dynamics that occurs in the intellectual framework of neoclassical economics.

Structure and behaviour

The aggregate behaviour of systems in terms of their control behaviour is something which can be very instructive to anarchists when thinking about how anarchism relates to the rest of the social environment. Idealised hierarchies can be modeled by their controlling entity. These aggregates are capable of what is known as "coherent" activity. Armies provide a good example of these types of systems. They can move in orchestrated blocks. However, the notional *objectives* which can be achieved with coherent systems *must* admit simple descriptions. Genocide, for instance, can be simply described and would be a description that one can expect an army to carry out. "Set up democracy in Iraq" however is something which an army has no capacity to do.

Democratic states and large corporations often fit more closely into the realm of the hybrid model hierarchy. These systems are starting to show system behaviour more complex than that of an individual actor. The behaviour that they engage in is becoming less strongly "coherent" and more "correlated". You can't expect things to move in lock step, but the system will move with a general correlated direction. You can also expect that some hybrids will be able to cope with a more complex environment than even a single actor might be able to cope with.



Classifications of aggregate system behaviour with examples from the physical, biological and social worlds

Finally in a networked system, where there is little or no notion of hierarchy, there is a possibility for truly complex emergent behaviour. Some types of systems which exhibit this are the human organism and social networks.

Current political structures

The state, being a fairly hierarchical creature, would like to make things function coherently. However its greatest weakness is its incapacity to find solutions to problem descriptions of large complexity. As an example militaries and states are finding it increasingly impossible to deal with the emergence of guerrilla warfare and terrorism. The models of organisation used in these social structures are highly decentralised and highly non-hierarchical. In the end, the state has little chance of eradicating such movements. The state must find simple descriptions of objectives and is at a fundamental disadvantage because of the more limited capacity to deal with complexity.

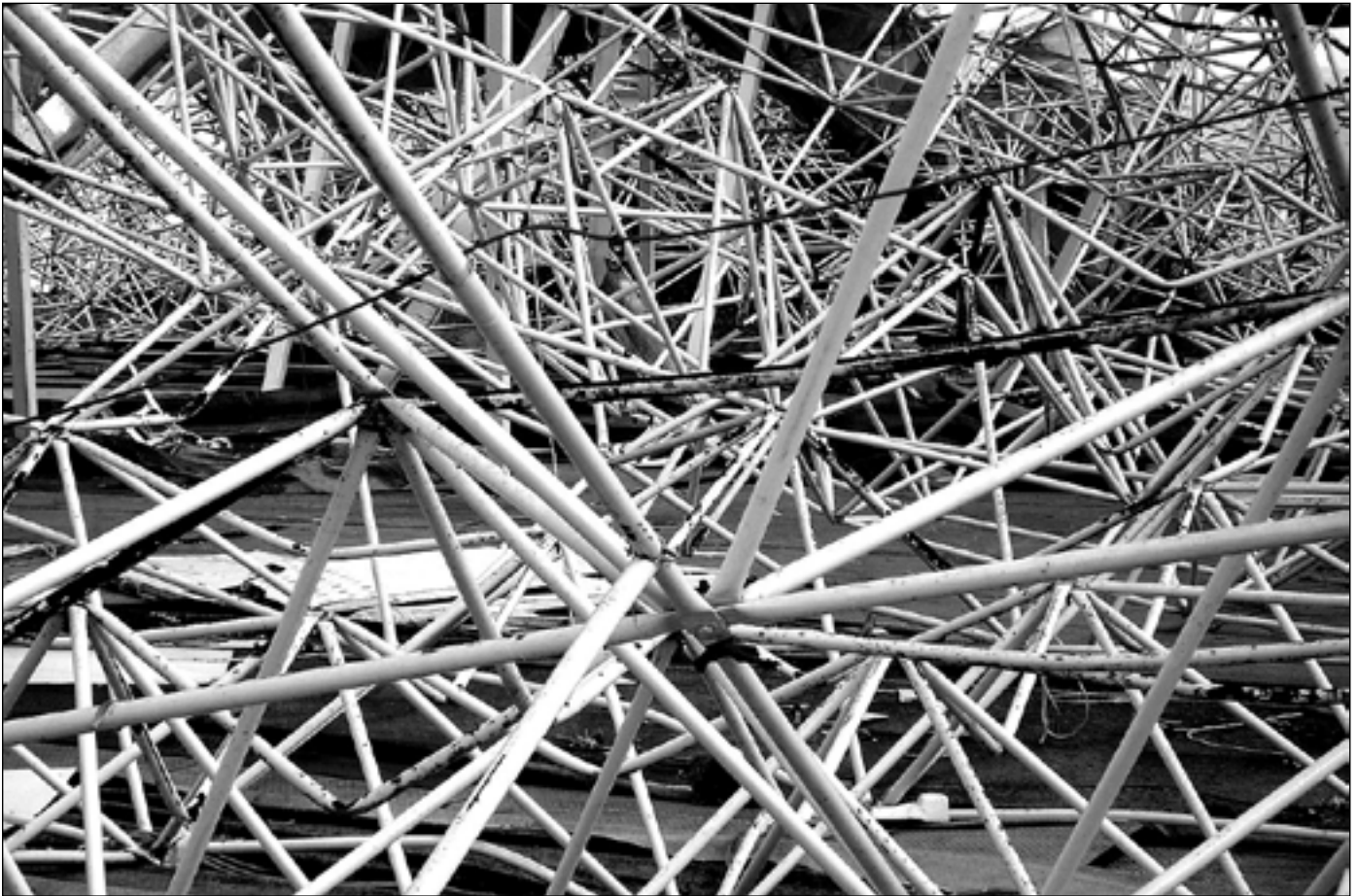
Capitalism and corporate globalisation however are fearsome beasts. The internal model is highly networked. These creatures move across state boundaries with great agility. They have emergent behaviour which is ridiculously

complex. Nobody even understands how the stock market functions (or dysfunctions). Capitalism is also incredibly robust, being able to adapt to circumstances in ways that Marx would have never thought possible. The only chance of combating an enemy of this type is with one of at least equal complexity.

Revolution and structure

The global behaviour and properties of complex systems are dependent on the interaction regime of the individuals. With human interactions there is a possibility of a feedback cycle that actually drives fundamental changes at the level of actor communication. This means that extreme changes in global behaviour are possible. Revolution is the radical modification of the emergent properties through changes in the interaction dynamics [2].

A lesson to take away from complex systems is that there is no one-single-correct model of societal interaction. Even if we knew in detail the interaction paradigm, it was a fixed parameter (social interactions of the atomic actors did not change) and the world was in fact strictly deterministic, this would not give us a social theory where we can predict



outcomes. There is no positivist or naturalist method with which to proclaim the inevitable “march of history”. It is both computationally and methodologically irrelevant.

So what then can we take from complex systems theory in terms of application to our thinking on human society and revolutionary change? We know from the areas of empirical research in the natural science, and from historical information that radical paradigmatic changes are actually a very natural behaviour even though they are largely unpredictable. Revolutions in social order have occurred repeatedly throughout history.

There are several critical factors involved in the manifestation of genuinely new social orders. In terms of the generative events that create these changes, they happen by a process of increasing disorganisation or decay of the old order. This usually involves the injection of large amounts of energy into the old system. When these energetic events dissipate we have a solidification into a new order.

Symmetry-breaking is a common systems behaviour which is particularly interesting in the context of paradigmatic changes. Symmetry-breaking occurs when a system falls into one of two choices of lower probability based on small local deviations. The choice of which emergent behaviours are chosen can

appear arbitrary to an external observer. In fact it starts from small internal fluctuations in the behaviour of the system.

Anarchist communism, when expressed in relation to complex systems, is a description of both the emergent and the individual behaviour. It requires behaviour at the global level with communism and mutual-aid among communities, as well as cooperative and collective decisions and solutions on the scale of the problems that face us. At the same time it asks for the removal of hierarchy and coercive power relations down to the level of individual actors.

In the framework of complex systems, anarchist communism actually looks like it has very good chances for survival. It posits a non-hierarchical network model as a starting point for human organisation. This means it has a theoretical capacity to display complex emergent behaviour.

Additionally the role of the revolutionary organisation can be seen to be critical to the preservation of the libertarian quality of the revolution. Small fluctuations in a revolutionary situation can have disproportionately large impacts. The kernel of the new society will exist in the tendency of the organisations whose characters lend themselves to the movement. It is therefore critical that the organisational

tendency have the structural integrity and replicable knowledge of interaction dynamics required to crystallise the broader movement into one with a libertarian communist character.

Tactically, the use of complex systems thinking for analysis leaves as many questions as it answers. From this perspective many sorts of emergent behaviour will not be calculable *a priori*, but must be decided from empirical study or the weaker method of attempting to find appropriate historical analogies. We are left with complicated problems. We must find solutions in which tactical methods best enable escalation of class struggle. Additionally we must find the internal structures that are most scalable and replicable such that they can quickly be effected during the heightened period of sensitivity that occurs in the revolutionary moment.

by Gavin Mendel-Gleeson

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Practical Anarchist Organising

Over the last few years, the Workers Solidarity Movement, the anarchist organisation that publishes this magazine, has grown considerably. We went from being an organisation with only a dozen members or so, to an organisation six times that size. As part of that growth we have had to reassess our internal workings and devise a range of new processes and structures for communicating, coordinating and democratic decision making. This article describes this process of change. It is hoped that it may serve as a useful case-study for other groups facing similar problems and as a small demonstration of the how anarchist organisational principles can be applied in practice.

Up until about 2002, the WSM never really consisted of more than a single branch in Dublin of about a dozen people and a couple of members in Cork, with a few sympathisers scattered around the country. As an anarchist organisation, even when we were only a handful, we were careful to ensure that we had structures and processes in place which would allow our members to have a full democratic input into our policies and activities. Our constitution specifies that our twice yearly conference, open to all members, was our supreme decision making forum. These conferences provide an opportunity for any member to propose a change to any of our policies. Being an organisation which strives to put our money where our mouth is, our actions are guided by our policies. Thus, our conferences serve as democratic decision making forums which enable our members to direct the organisation's activity.

Even when we numbered less than a dozen, our conferences were highly formal affairs. In order to create new policies, or change existing ones, members had to submit motions in writing, weeks in advance. These motions, often accompanied by articles arguing their merits, were collated into an internal bulletin which was circulated to all members by post. Members then had a chance to submit written amendments to motions. The conference itself was devoted to debate and voting on motions. Tremendous care was taken to make sure that all points of view were heard, and the strictest democratic principles were followed, including providing private balloting and proxy voting.

When we numbered a dozen, the elaborate care that we devoted to internal democracy made our conferences occasionally tortuous. Even when less than ten members attended they could take two entire days, with attendees increasingly irritable as time passed and procedural debates came to the fore. Yet, despite the procedural frustrations, the conferences proved productive. The WSM

developed a set of detailed policy documents, continually debated and amended over the years, which distilled the organisation's wisdom and experience into guides for future action.

The coherence that these policies gave the organisation proved invaluable when the anti-globalisation and anti-war movements emerged, bringing with it a relatively large number of people who were sympathetic or at least open to anarchist ideas. Through a lot of hard work within broad and relatively informal anti-authoritarian groups such as Reclaim The Streets and the Grassroots Networks, we gained respect among activists, a higher profile for the organisation, and a wealth of practical experience of the problems associated with organising among larger groups with dispersed membership. Eventually, many of the anarchist activists who had worked alongside us in

structures and a capacity for coherent action can be – and that viable anarchist models can be built.

Thus, in the last five or six years, our organisation has experienced a steady influx of new members. Although our current membership of roughly 70 is hardly going to send the ruling class scuttling to their bunkers in fear of revolution, over the last few years our rate of growth has been such that we have doubled in size every two years or so. This steady growth has required us to continually re-examine our processes for communication and decision making across the organisation.

Happily, the formal processes which underpin our conferences have coped admirably with our expansion. What used to seem somewhat constricting and excessively formal, now seems to be an eminently sensible



these groups came to join the organisation. Many of those who worked within looser, less formal groups and campaigns, repeatedly ran into organisational problems concerning communications and decision making. The experience of working alongside the WSM gave them an appreciation of how useful formal

and valuable system which allows all of our members to have a genuine opportunity to change the organisation's policy. Indeed, as we have grown, our conferences have actually become more efficient and inclusive decision making bodies. For example, at our conference in November 2007, some 30 motions,

WSM's Organisational Structures

National Conference



The National Conference is the WSM's supreme decision making forum. It takes place twice a year (Spring & Autumn) and is open to all members. Any member can put a motion to conference for consideration and motions are decided by majority vote. In addition to setting policy, the National Conference elects officers and hosts strategic discussions.

Delegate Council

Delegate Council meets once a month. Each branch is represented by two delegates, who can carry votes from their branches. Delegate Council serves to set policy in between conferences and to coordinate between the branches. The council is hosted in turn by each of the WSM branches, meaning that its location rotates between Dublin, Cork and Belfast.



Interim Decisions Committee

The sole role of the Interim Decisions Committee is to make emergency decisions in situations where it is imperative that a decision be reached before a Delegate Council can convene and before all of the organisation's branches next meet. It consists of three members, the national secretary and two others elected by National Conference.

Branches



All members belong to a WSM branch which meets regularly (weekly or fortnightly), to discuss political matters and to organise the work of the organisation.

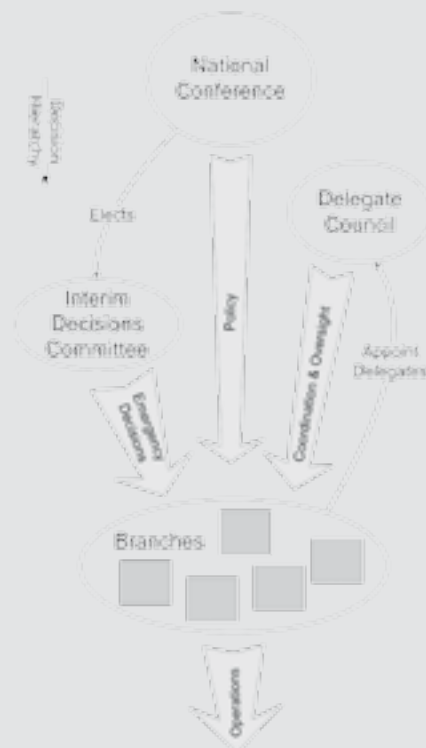


Diagram showing the WSM's decision making structures and the basic relations between the units.



proposing some 80 amendments to our policy documents were proposed, debated and mostly passed, including the replacement of our entire position paper on the environment. Most of these changes were put forward by members who had been in the organisation for less than 2 years. To a considerable extent our conferences work better now than at any time in the past – the formal structures that we put in place have come into their own now that they are obviously needed. We have not had to change our conference structures at all in order to cope with larger numbers, simply formalise some of our standing orders. The success of our conference structures is largely due to the fact that they were originally borrowed from the democratic structures developed by anarcho-syndicalist trade unions, which are retained by modern trade-unions, albeit as a poor shadow of their former selves.

Our conferences, as they stand, provide an excellent example of direct democracy in practice and they help to show new members exactly what our politics mean in practice. However, if we continue our recent rate of growth, within the next few years we will face new challenges as it becomes more difficult to fit everybody into a room together and the time available for debate and voting diminishes. Happily, however, we should be well prepared for this eventuality. By the start of the twentieth century, anarcho-syndicalist trade unions had already developed conference structures based on tightly-mandated delegates, which allowed vast numbers of members to have a direct say in policy changes. We therefore have a wealth of models available to us which should enable us to continue making directly democratic decisions at our conferences for the foreseeable future. However, delegate-based conferences are much less useful forums for debate – if the delegates are already mandated to vote in a certain way, they can't be persuaded by argument, it is only if they have an open mandate that there is any point in hearing arguments. We already use the Internet to circulate debate pieces and arguments for and against proposed amendments in advance of conferences, and as our conferences become more delegate based, these debates and arguments will need to take on a greater role, and may need to be given more formal structures.

While our conferences have proved well suited to coping with a larger organisation, the rest of our structures were much less well prepared. Conferences basically define the organisation's core policies. There is, however, never a formulaic way to translate general policies into concrete actions. That is to say, that no matter how thoroughly our policies describe our political positions, we constantly

face decisions, sometimes requiring subtle judgement calls, as to how we apply them in practice. As a group of political activists, we face important tactical decisions all the time – which campaigns to join, which political groups to cooperate with, which demonstrations to go to, what leaflets to print and so on. We also face a whole host of day to day operational decisions – who will lay out our publications, write articles and leaflets, attend meetings, carry our banner on marches and so on. As we grew, we discovered that our structures were poorly suited to these types of decisions.

Once a group grows beyond a couple of dozen members, particularly when those members live in different regions, towns and neighbourhoods, it needs to change in character. In small groups with relatively steady membership over years, everybody can know everybody else reasonably well and much day to day decision making and the sharing out of responsibilities can rely upon informal communication channels. When you have over 50 members, this becomes impossible and informal arrangements become barriers to new members integrating into the organisation and can lead to the emergence of an informal leadership based upon knowledge of the various informal mechanisms that keep the organisation ticking over. Therefore, as we grew, we had to develop new, formal structures to coordinate our day to day decision making and communication and to ensure that the organisation worked in a transparent way where everybody had an equal chance to have an input into tactical and operational decisions.

The problem was not that we had not thought about such problems in advance – just that the measures for coordinating day to day activity that we had defined in our constitution weren't capable of addressing all of our requirements. The constitution defined a National Committee, which had to meet at least once between each conference. However, due to our small size, the national committee was open to all members and due to the fact that we only had a single branch, it effectively amounted to our Dublin branch with an extra member from Cork in attendance. In these circumstances there was little need for the national committee to meet since it was much easier for the Dublin group to make most of the tactical decisions, occasionally telephoning our comrades in Cork for their opinions when needed. The constitution also defined Commissions, bodies designed to coordinate the organisation's work in particular areas. However, once again, these commissions never really got off the ground. We had a single branch which met regularly and commissions would simply have amounted to a subset of these people having an extra meeting – extra work without any real advantage.

Thus, when we started to experience sustained growth in the period since 2003, our structures for day to day coordination were rather theoretical and untested in nature. One of the first real practical problems that we encountered was how to divide up the organisation. This became pressing in late 2004, when our Dublin branch became too large to fit in our office's meeting room. In addition to the cramped nature of meetings, with up to 20 people attending, we found debates and discussions becoming increasingly lengthy, cranky and frustrating – there were too many people present to give everybody a chance to express their opinions and anarchists are, if anything, full of opinions!

Therefore, we had to find a way to split our Dublin branch up. We had no formal mechanism for doing so, so we simply gathered all of our Dublin members together in a general meeting and, based on the arguments and proposals that were raised, we eventually divided ourselves up into groups based on two factors:

1. Where we lived.
2. When we could attend meetings.

It was generally envisaged that continued and sustained growth would require our branches to be increasingly tied to local community activism. Thus, the location of each member's residence was considered to be important in allocating them to branches. However, the problem is that in modern cities, with their wide socio-economic spread, community identities tend towards the hyper-local. In practice, the various local issues that interest people can vary widely from estate to estate and neighbourhood to neighbourhood. Therefore, in order to have a real impact on a community, an activist group needs to have a lot of members living in the same neighbourhood. Furthermore, community activism is, by its nature, slow-burning, requiring steady work over years to have a real impact. As many of our members are relatively young and transient, moving around the city frequently and living in rented accommodation, they were not in a position to really implement a community-based strategy.

A year after our Dublin branch's initial subdivision, we yet again found that our branches had grown too big. Again, we got together and re-divided ourselves, this time into three branches based on where each person lived and when they could make meetings. Once, again, despite our efforts, this did not work as well as we would have hoped and this is still a live issue in the organisation. Of our 3 Dublin branches, only one is mostly formed of people who are long term residents in the same area.

By early 2005, we had 3 branches, 2 in

The Benefits of Growth & Structure

The development and maintenance of the WSM's decision making structure has required a considerable investment of the organisation's resources. This cost, however, is offset by the considerable gains in terms of practical organising capacity. Not only has the organisation grown, but it has managed to maintain an ability to act in a coherent way. This means that the WSM can get involved in more campaigns and more political and social struggles. It also means that the organisation can organise more ambitious events whose promotion and running require significant numbers of people to coordinate their work.



The best example of such an event is the Dublin Anarchist Bookfair. It started in 2006 in a community hall in the Liberties, and drew several hundred people. The following two years saw a move to the Teachers Club and an increase in size and scope. In 2008, roughly 1,000 people attended. 2009 sees the bookfair moving again, to a much larger venue - Liberty Hall, the headquarters of SIPTU, Ireland's largest trade-union. The event's success relies upon the work of dozens of people to promote, publicise, contribute and help organise it.

Dublin, while our Cork membership had also grown to the point where it formed a stable branch. A year later this had grown to four, with the creation of a third Dublin branch. In 2008, a new Belfast branch was launched. As the number of branches grew, the problem of day to day coordination between them increased. As an organisation which prioritises theoretical and tactical unity, we had to come up with structures which allowed us to take decisions which would guide the whole organisation, even in cases where there were significant disagreements about the best course of action.

The way that most organisations deal with this problem, even those that are based around a democratic, policy-setting national conference, is to appoint an executive committee, responsible for implementing the organisation's policy. Such arrangements, however, invariably degenerate over time. Even when everybody acts with the best of intentions, the fact that democratic decisions take longer than the decisions of an executive officer means that the officers tend to become more powerful over time. Alongside this tendency, the relatively privileged position that executive officers occupy, allows them great influence over the formation of policy. Before too long the conference has become a talking shop with policy being effectively controlled by a small leadership. One only needs to look at the conferences of the labour party, or many of the trade unions to see stark examples of this process in action. Furthermore, by limiting day to day decision making power to a tiny number of people, the organisation vastly under-utilises its collective intelligence.

For all these reasons and more, an executive was not the solution that we wanted. We instead established a *Delegate Council* which would be responsible for coordination and decision making across the organisation. This body was established at our conference in Autumn 2006. Its structure has been refined twice in the period since then, after some inadequacies in its initial specification became clear. It meets once a month, with a different branch hosting each meeting – meaning that its location is rotated. Any member or branch can submit a motion to the council – asking the organisation to commit itself to a certain course of action. All the motions are circulated through our website and branches, sufficiently in advance so that each branch has a chance to discuss them at a meeting. Each branch then selects a number of delegates – one for every five members and these delegates attend the council.

Initially, our Delegate Council meetings were not particularly successful. Each motion would have been discussed and voted upon at each

branch and the delegates would merely report how many votes each motion had received, for and against, from their branch. Although it allowed us to make decisions, the motions had already been voted upon and the delegates had no mandates to do anything but report those decisions. The meetings were really limited to a bit of informal discussion and the tallying of votes – something that could have been done by email or over the phone. The real benefit of face-to-face meetings is that they make it much easier for groups to make compromises. Written motions are often formulated in such a way that they do not include the proposer's arguments and these may be then misunderstood by others who only see the wording of the formal motion. This can, for example, lead to situations where a motion is voted down, yet no solution to the problem that it was addressing is put in its place.

A face-to-face meeting gives each delegate the chance to explain the thinking behind their motions and any concerns their branches may have about other motions and to try to see if compromises can be reached which accommodate everybody's desires. Thus, as these problems became apparent, although motions were still voted on in advance, delegates were often provided with mandates to seek compromises or amendments to motions. Since each delegate is only representing five members and has to report back to their branch, there is very limited space for these looser mandates to result in abuses. At our Autumn conference in 2008, we formalised this in a vote at our national conference.

Although the Delegate Council has proved to be reasonably effective in coming up with tactical decisions, since it meets only once a month, there are occasionally situations where we have to make decisions to a tighter deadline. To enable this our constitution allows any branch, or group of members, to call an emergency Delegate Council meeting. This has been used on a couple of occasions when we faced important decisions and time was felt to be of the essence.

However, there are also frequently operational questions which need to be made at short notice – should we send a speaker to a

particular meeting, should we bring a banner to a demonstration called at short notice? In such cases, it is not realistic to convene a national meeting to make the decision. Therefore, at our most recent conference in November 2007, we instituted an *Interim Decisions Committee*, a body made up of 3 members, including the national secretary, which has the authority to make operational decisions at short notice. Its power is subordinate to Delegate Council, which is itself subordinate to national conference.

In its first year and a bit of operation, the IDC has been called on to make only a handful of decisions. Initially these were confined to routine matters - endorsing a demonstration that was in line with organisational policy and precedent, and turning down a request that was deemed outside of its mandate. However, in recent months, the IDC has been called on to make decisions on a couple of occasions over matters of some controversy. These decisions were disagreed with by some, but they were implemented without any problems. Nevertheless, the debates surrounding these decisions have revealed that there remains some unease throughout the organisation about this committee, both within the committee itself and across the rest of the organisation. The IDC remains very much a work in progress and it remains possible that it will be replaced with another mechanism which allows broader input.

In summary, over the last few years the WSM has put in place a range of structures in order to allow the organisation to take common decisions. These structures are intended to maximise democracy, while still allowing snap decisions to be made in emergencies. The WSM's steady growth over the last few years prompted these changes, and the shape of these structures is in constant evolution as new problems are encountered and overcome. Although the WSM remains a very small organisation, this example does show the viability of anarchist direct democratic decision making principles when applied to organisations that are geographically dispersed and have enough members so that not everybody knows everybody else.

More about the Workers Solidarity Movement



Find out more about the WSM on our extensive website: <http://www.wsm.ie>

New members are always welcome. To find out about meeting times and places in your area, send an email to: wsm_ireland@yahoo.com



The Industrial Workers of the World (IWW), popularly known as the wobblies, is a revolutionary union, founded in June, 1905 in Chicago. At its peak in 1923 the organization claimed some 100,000 members and led a series of struggles in defence of workers in the face of fierce opposition from capitalists and the US state.

Opposite: Women of the Industrial Workers of the World march to Madison Square Garden in support of the Patterson Silk Strike of 1913.



Radical Women of the IWW

Donal Fallon profiles some of the women who played a large part in the illustrious history of the Industrial Workers of the World

Women have been at the forefront of the IWW since its inception. The IWW was the first union of its kind to attempt to organise prostitutes in major US cities. While the percentage of female representatives at their inaugural convention (around 12 in total) may seem quite small, the issue of gender equality was always at the front of the organisations agenda.

The women profiled here are just three of the famous female faces among the wobblies of the past. There are many others whose names remain unknown.

During one strike, in Lawrence, Massachusetts, female strikers carried homemade placards proclaiming “we want bread and roses too!” committed to improving not just the conditions of the working class in the work place, but indeed the general living conditions of working class people. During the strikes in Lawrence, local media reported that more female strikers than males were arrested by the local police force! Their crimes included, according to the police, “intimidating strikebreakers.”

There are countless other chapters to the history of women within the IWW, not least

Elisabeth Gurley Flynn

Elisabeth Gurley Flynn is one of the many women who stand out in the history of the Industrial Workers of the World. She was just seventeen when she shared the platform with a certain James Connolly, who she described as a “Short, rather stout, plain looking man, [...] a scholar and an excellent writer [whose] speech was marred for American audiences by his thick North of Ireland accent.” Connolly thought very highly of her too.

“She started out as a pure utopian, but now she laughs at her former theories. Had she stuck by her first set of opinions she would have continued a persona grata with the Socialist Party crowd,” Connolly wrote, “but her advocacy of straight revolutionary socialism and industrial unionism alienated them and now they hate her.”

Gurley Flynn once famously remarked, when responding to criticism of the IWW for using women as shields:



“The IWW has been accused of putting the women in the front, the truth is- the IWW does not keep them at the back- and they go to the front”

the Patterson Silk Strike of 1913 when around 25,000 striking silk workers managed to shut down 200 silk mills and dye houses in New Jersey for 5 months in 1913. The IWW's attitude to the state is what sets it apart from many unions. Its bold mission statement stated that the working class and employing class held nothing in common, a philosophy it continued to work by through good times and bad. The women, and indeed men and children of the IWW are, I feel, best remembered in the lines of the classic IWW ballad Everett County Jail:

*In the prison cell we sit
Are we broken hearted—nit.
We're as happy and as cheerful as can be,
For we know that every Wob
Will be busy on the job,
Till they swing the prison doors and set us free.*

Mother Jones

We can even find an Irish connection when we look at the historical role played by women in the early days of the wobblies. Mary Harris Jones, better known as Mother Jones and born in the rebel county of Cork. She was once described as “the most dangerous woman in America,” which must be up there with being “more dangerous than a thousand rioters”! She stated in her autobiography that her family had been involved in the ‘struggle against British rule’ in Ireland. Indeed her grandfather was hanged as a result of his activity in the nationalist movement. Mother Jones played a huge role in bringing the issue of Child Labour to the forefront of the political agenda, writing in her autobiography

“In the spring of 1903 I went to Kensington, Pennsylvania, where seventy-five thousand textile workers were on strike. Of this number at least ten thousand were little children.....

“I called upon the millionaire manufactures to cease their moral murders, and I cried to the officials in the open windows opposite, “Some day the workers will take possession of your city hall, and when we do, no child will be sacrificed on the altar of profit.”

Mother Jones famously led a group of striking children on a march all the way to the front door of a certain Theodore Roosevelt. The march, from Pennsylvania to New York City, was designed to take the issue of child labour right to the Presidents doorstep. Around 100 children took part in the march, designed to show what she termed the “New York millionaires” the suffering of working class children. She led the children all the way to the Presidents Long Island home, and when

Lucy Parsons

Lucy Parsons was one of the founders of the IWW. She had been involved in the foundation of the journal of IWPA in 1883. In a piece entitled ‘To Tramps, The Unemployed, the Disinherited, and Miserable,’ published in the IWPA journal, ‘The Alarm,’ in 1884, she called on the poor and disenfranchised to:

“Avail yourselves of those little methods of warfare which Science has placed in the hands of the poor man, and you will become a power in this or any other land. Learn the use of explosives!”

In 1905, she displayed similar radicalism when speaking at the IWW's foundation (a speech that was reputedly interrupted several times by loud applause).

“We, the women of this country, have no ballot even if we wished to use it, and the only way that we can be represented is to take a man to represent us. You men have made such a mess of it in representing us that we have not much confidence in asking you !

We [women] are the slaves of slaves. We are exploited more ruthlessly than men. Whenever wages are to be reduced the capitalist class use women to reduce them, and if there is anything that you men should do in the future it is to organize the women.....”

A very powerful orator, said to be more dangerous than a ‘thousand rioters’ by the Chicago Police force, she quickly took to editing *The Liberator*, the newspaper of the IWW in the Chicago area. While



class struggle was always to the front of her political agenda, she used the space this paper offered to push for, among other things, women's right to access birth control and the legalisation of divorce. Interestingly, Parsons was highly critical of the idea of ‘free love’, and disagreed with attacks made on the traditional institutions of marriage and family by other anarchists, in particular by Emma Goldman. It is thought that Lucy Parsons married twice, firstly to Oliver Gathing, and later to Albert Parsons - a fascinating character, who had fought as a confederate soldier before becoming involved in union activism and gaining an interest in anarchism, leading to his eventual execution as one of the famous Haymarket martyrs.



they reached the home, she was informed by the president's secretary that Teddy himself was “unavailable”. Still, the campaign had

succeeded in drawing public attention to a shocking issue. In her own words:

“We are told that every American boy has the chance of being president. I tell you that these little boys in the iron cages would sell their chance any day for good square meals and a chance to play. These little toilers whom I have taken from the mills --deformed, dwarfed in body and soul, with nothing but toil before them --have never heard that they have a chance, the chance of every American male citizen, to become the president.”

The children carried banners with slogans like “We want time to play!”, “We miss our parents” and “We want time to go to school” and demanded a new federal law prohibiting the exploitation of children in the work place. While they failed in this, it was clear Mother Jones was standing by her own life philosophy to “pray for the dead, and fight like hell for the living.”

Feminism in the Muslim World

Sevinc Karaca, a Turkish anarchist and feminist, describes the fine line that Muslim women must navigate between Islam and the West.

In the Muslim world, the feminist movement took shape in small numbers from the 1950s onwards, primarily in what were then more liberal, secular regimes such as Turkey, Egypt, Algeria, Iran and Morocco, Iran fell out of this secular league following the Islamic Revolution in 1979. The movement was mostly academic in nature, sometimes voiced by males, and women's rights were seen as a showcase by these regimes to display modernity, progress and democracy. Early feminists in these countries were mainly academics and members of the ruling elite. In Turkey for example, women were encouraged to run for national elections and quotas were used to create positive discrimination as part of the "Westernization and modernization" of Turkish society. However, the emancipation that was offered on a silver plate to the lucky few failed to address the issues of ordinary women. In all Muslim countries, women had to wait until the 1970s and 1980s for a feminist movement that questioned the practise of religion and its role in the oppression of women.

The Prophet Muhammad enforced a series of social, economic and cultural reforms in the early days of Islam. Many of these radical reforms affected the treatment and place of women. The killing of baby girls was outlawed, women's right to control their wealth was granted and women were guaranteed the right to inherit property. Strict limits were placed on polygamy and women were allowed to keep their dowry. It is these reforms, which can be considered radical social and economic changes of their time, upon which Muslim feminists of the religious school base their politics. However, the Koran, explicitly orders segregation of sexes and confers the traditional roles to women.

The Koran forms the basis of family law in the majority of Muslim Countries as it is considered to be the word of God. Hence Koranic regulations regarding women are followed with great strictness. Despite the positive reforms, the Koran states that 'men are superior to women on account of the qualities with which God hath gifted one above the other'. This author finds that the issues raised by Islamic feminists are not directed at God's word as revealed in the Koran, but with the religious





scholars' interpretation of the Koran, and the "contrived or inauthentic traditions of later provenance which either do not reflect what the Prophet said or represent fallible variations of his Hadith."*

Nazira Zayn al-Din, a scholar of Muslim feminism, goes further and blames early and medieval interpreters of the Koran for "disregarding the holy word of Prophet, in family law and his teachings about respect for women." However, this in no way makes Mohammed a leading feminist.

This widely popular version is contradictory to a class based analysis of feminism as it reinstates the hierarchy of patriarchy. Although a step forward, and some political scientists believe that it may lay the groundwork for democracy, it is not concerned with the radical changes that are necessary to improve the lives of most women in Muslim countries, both Muslim and non-Muslim. There is also a problem with the notion from a libertarian point of view: it sounds great, but why would and should feminism serve to the benefit of

* Hadith: the word or teachings of Prophet Mohammed

religion in the first place? It is supposed to serve women.

There is a great danger in Muslim feminists' search for solutions within sharia. It facilitates effortless and cheap PR exercises and spin by misogynist Sharia regimes; it is ironic that while these regimes condemn the Western Media as servants of evil, they so desperately want to be seen by them as "not so bad after all". Over the past ten years or so, Iran has seen the publication of a number of journals aiming to address the issues of Muslim women. A short search on the Internet leads one to thousands of articles about the feminist movement in Iran and the great star of Iranian Feminism, former Ayatollah Rafsanjani's daughter Faezah Hashemi, who participated in the parliament that delivered little to the women of Iran over the last ten years. The nauseating smell of "emancipation delivered on a silver plate" that surrounds the whole affair manifests itself most clearly in her failure to mention the hypocrisy of a regime which benefits hugely from women's cheap labour, contrasted with the lack of respect for the work they do in a war-torn country. Hashemi has been busy publishing Tehran-

based *Zonan and Zan* which promotes the idea that "Western feminism has promoted hostility between the sexes, confused sex roles, and the sexual objectification of women" - a correct analysis of certain sections of the feminist movement, perhaps, but it fails to provide a "feminist" alternative. A number of its writers have proposed an Islamic-style feminism that would stress "gender complementarity" rather than equality and that would pay full respect to housewifery and motherhood while also giving women access to education and jobs. This is enough to tell you where our comrades get it wrong.

Saudis use this spin for fear that their secret affair with the American, British and French arms industries will come to an end. Following the BAE investigation in the UK, there is growing discomfort over the Saudi Kingdom's interference in the British Courts. In the US, families of soldiers are organizing against the war and questioning the Bush regime's heavy flirtations with Saudi financial power.

This is the "elephant in the room" that feminists in Muslim countries are afraid to take on and endure more hostility than already exists

towards them in their countries. Our feminist comrades elsewhere shouldn't have to wonder why all solutions are sought within religion itself. Even among the secular groups it is taboo to blame religion for the problems surrounding the fundamental values forced upon women in our societies, such as virginity, marriage and divorce. A class based analysis of the women's issues had to wait until recently.

Egyptian scholar Nawal El Saddawi has produced one of the first class based analyses of Muslim women's issues and oppression. She states that women's oppression is "not essentially due to religious ideologies . . . but derives its roots from the class and patriarchal system. Islamic history paints a picture of pre-Islamic society where women's sexuality is 'chaotic, all-embracing, [with] rampant promiscuity whose essence is woman's self determination'. The male is left with a lack of initiative, and is unable to control relationships through a position of privilege. Such fears are behind the construction of Muslim sex roles, which find their basis in the assumption that proper social order relies on the curtailment of female sexuality." [2]

One of the worst manifestation of this sexual fear is the mutilation of female children's labia and clitoris. Though having no basis within the Koran or any authentic Hadiths, clitoridectomies are still forced on children in the name of Islam. The practice predates Islam, and is possibly pre-Judaic.

There are still societies today where women are considered to be simple commodities and part of the livestock. They are modern day slaves, sold for marriage and labour at ages which the rest of the world considers that sexual contact amounts to a criminal offence.

Pre-Islamic society cannot be classified as simply being at a feudal stage of political chronology, as is the tendency in official history. Such a label is not comprehensive enough to describe the economic and political systems and structures through which pre-Islamic society operated.

There are so many examples of brutality and oppression against women in Muslim countries that if we were to imagine women and men as two nations, we would end up with the longest, most ruthless invasion and war of the history of humanity. It is this longstanding hostility that needs explanation first. It is important for Western feminists to have first hand knowledge of these events in their communication with Muslim Women to let them know first of all that "they are aware" and "interested" and secondly, that they will support them in their struggle to end this brutality.

It is not difficult to compile a list of atrocities and human rights violations against Muslim women, there were two major news reports in the Guardian alone in the week during which this article was being written, about brutalities against women in Iraq and in Saudi Arabia. Unfortunately, interest in such stories in the mainstream media only appeared after the wars against Afghanistan and Iraq, and these atrocities are often simply used as excuses by the American war machinery. The rhetoric against the oppression of women that they use does not serve to the benefit of women in places such as Afghanistan but to their detriment. The plight of Afghan women is used in turn as a warning by regimes such as Iran, Saudi Arabia and other Gulf countries against women who demand more freedom.

As Feminists in the West beat around the bush with an air of multi-culturalist political correctness and go out of their way to show respect for exotic religions, there is a growing number of feminists in countries like Turkey and Iran and among the diaspora in non-Muslim countries whose policies and strategies for feminism do not take the route of Western Liberal Feminism. For those feminists, Western feminism's high priestesses are the likes of Condoleezza Rice, Thatcher and Mary Harney and its prime products are the Spice Girls and Sex in the City. The same media and pop-culture machine portray the brutality and oppression of women in Muslim countries as the manifestation of Muslim Ideology, yet it never attaches "Christian" or religious to the headlines about brutality and oppression against women in non Muslim countries.

The notion that "women are oppressed in Muslim countries because of Islam" is one of the root causes of the confusing and complex stand off between liberal feminists and the Muslim Feminists of all schools, including the author of this article. Muslim women are oppressed precisely because they live in a patriarchal society where religion is still the principal agent of the system's brutality against women. It is essential to understand that one of the main issues facing Feminism in Muslim countries is to analyze whether the issues of the feminist movement are 'religious', 'cultural' or 'social' in nature.

This article is neither in defence of the religion nor in agreement with Muslim Feminists who seek a solution within the structure of Islam. Their desperate search within Sharia Laws and their regimes may achieve a few limited steps forward within a realistic time frame and radical changes are not likely to come overnight; the brute is too big and too damn powerful. These movements also provide

relative safer spaces of freedom of expression through which women develop their ideologies towards the more radical- non religious space.

In the "developed" world, there is a great need for awareness; the only place for Muslim women in global media coverage is that of the victim. They are depicted, written about and heard only when they are victims. Also, observers from the West tell them from the West what their identities and problems are and how to live. The achievements of Muslim women in education, health and art production, their struggles and gains are always explained as "concessions" and "rights" which are "granted" by the regimes they live in. Over half a billion women and children have not received even basic education, they lack the power to demand their basic human rights, they produce one third of all the world's wealth, getting paid very little or nothing, costing next to nothing to their employers or their states in health services or education, all of which leads them to die young. The reckless and hungry profit economy benefits hugely from this work force. Imagination calls for a place in 30 years time where Muslim women will have reclaimed their basic human and workers rights and will have landed the bill for their basic old age pension care on their respective countries exchequers' desks, what will we do about them then, as gassing them is not an option? The cheapest "humanitarian" approach is do "nothing" and keep them uneducated, powerless and unhealthy.

Gaining an understanding of the real issues faced by ordinary Muslim women, and the radical changes in our lifestyles and production culture required in order to address them, is as good a place as any to start for those who want to aid the workers of the world. One third of these workers are Muslim women and children. If this sounds too unrealistic - radically changing the lives of Muslim and non-Muslim women workers alike, our struggle is not respected and we are simply lied to. "Realistic" alternatives may well take a very long, two steps ahead - one step back, journey which feminism in the Western world experienced. But that feminism ended up being cornered into a ridiculed space in the social political arena.

You can not rise up in a regime like Iran without a consciousness that is set against imperialism and you definitely do not rise up to die, but to succeed. It is humiliating to see how ignorant we are viewed at times. As the West banters over mile-long newspaper columns and films and TV shows about the hijab and burka, the majority of Muslim women are struggling to put food on the table, and get basic health care and education for their children.



Muslim women get this hard love from the world, while they seek justice under dire and simply unsafe conditions. They are bullied into justifying their way of life, not by their immediate oppressors, but by their so called allies. Why is it that the hijab and the hijab alone is the only subject of interest when it comes to women in Muslim countries? Could it be because very few in a broad spectrum of political correctness are able to overcome their underlying prejudices? The remaining are happy only to pay attention when a woman's (or a child's) hijab or worse, her vagina, is the subject matter.

Muslim women have little to expect from a feminist movement that is identically incapable of confronting a system built by and for men (capitalism in the case of Western feminists). The majority of feminist ideologies and activism in the developed world today do not address and support the struggle of their Muslim comrades openly, directly or sufficiently. Trust, which is necessary to make radical change together, has not been built yet. They may have to face the fact that their feminist discomforts may be seen as petulant and they may have a tough time mobilizing their Muslim comrades to join the fight for equal membership in exclusive golf clubs.

Muslim women also struggle to overcome their permanent role as the helpless and voiceless victim. It is a delicate balance between demanding to be seen and heard in all areas of life, to celebrate achievements while trying to voice the violations of their rights.

We don't want to be equal with men in a Sharia regime and this is the common ground for non religious feminists of all tendencies in relatively more liberal secular Muslim countries such as Turkey, Egypt, Morocco and Algeria. The non-believing, non-practicing members of this broad concept of "Secular Feminism" simply reject any rule by religion, some of them suggest the separation of state and religious affairs as if they do not exist to serve each other and accept the existence of its values in the society. This may be due to the fear we mentioned earlier.

Little in the lives of the women in the "modern" world suggest that theirs is a good model to achieve emancipation. Muslim women are well aware of the ills of capitalist society and they want to protect themselves and their children from these ills; Britney, MTV, Hello, Posh & Becks, fashion, the porn industry, the obsession with looks and girl power to name a few. This is where our well meaning non Muslim comrades get confused. In conclusion,

we don't want to arrive at the ridiculed place they arrived at. Although they made great gains, we do we want to take the same route. We don't want to serve in the army, we don't want to sit in parliaments which take decisions to go to war and to spend state budgets on buying more arms. We don't want the power to submit our countries' 150 year old foreign debts to the World Bank, We don't want to surrender our lives to the orders of the likes of the WTO who steal the food from our tables.

What we primarily need and want is basic human rights, economic freedom, education, jobs and healthy affordable food. As things stand, in the world we live in today, these rights are denied to the majority of the world's workers and they will not be handed to us either, unless we get out there and organize for radical change where we will have full control of our production and its tools and where all responsibilities are shared mutually.

References

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- 2-Mernissi, Fatima, (Mary Jo Lakelan, trans.), *Women and Islam: An Historical and Theological Enquiry*, Blackwell, Oxford, 1992.

What Changes Do Muslim Women Really Need?

Pensions	The world gives basic old age care to a lucky few million in the world. This needs to be changed immediately.
Wealth	There is an urgent need for land and income redistributions to alleviate extreme poverty
Debt	Organizations such as the WTO, the World Bank and the IMF should cease operation immediately and all foreign debts for underdeveloped countries should be defaulted collectively.
War	Arms, missile and landmine production must end immediately, all arms should be decommissioned and all debt created for military spending should also be defaulted collectively.
Wages	Workers in the disadvantaged regions and countries should be paid the maximum standard for their work, not the minimum.
Production	Immediate studies should be carried out to determine real demand for production, type of production and products.
Environment	Sustainable living should be enforced at any cost, due to the imminent risks of environmental disaster
Domestic Relations	Domestic work should be organized in collective or other ways to be paid and shared by all involved.
Education	Alternative education modules and schools should be facilitated.
Tax & Spending	Tax and investment subsidies for big businesses and syndicates should cease and workers should have full say on where the tax revenue generated should be spent.



Practical matters and the struggle for survival are the issues that concern Muslim women most immediately



Anarchism on the web



www.wsm.ie

The website of the workers solidarity movement - anarchist news and analysis from Ireland



www.anarkismo.net

The voice of organised anarchism - news from anarchist organisations around the world



www.anarchistblackcat.org

A friendly and respectful online discussion board for anarchists of all stripes and those just interested in seeing what anarchists think.