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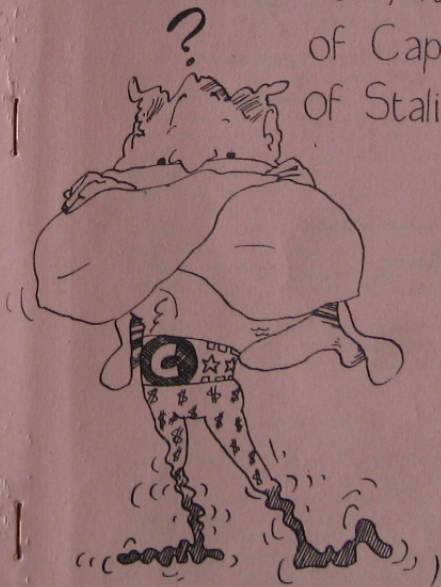
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# 2 FRONT LINE

June 1974

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inside, articles on Destabilisation of Capitalism and the Nature of Stalinism.



Someone ought  
to give him a  
push. *(with a drawing of a hand pushing the man)*

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CONTENTS

|   |         |
|---|---------|
| Editorial   | page 1  |
| Survey  | page 3  |
| Perspectives for Modern<br>Capitalism -- Kevin Bain | page 7  |
| Russia: What Class of State?<br>-- Ron Flaherty     | page 11 |
| Reviews   | page 20 |

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IN THIS ISSUE...

It was not so long ago that pundits gloated over the apparent successes of capitalism. They pointed to prosperity, complacency and the power of the USA as signs that capitalism has solved its problems for good. Even socialists could be happy, they patronisingly reassured us, because capitalism had attained the "goals of socialism" through the welfare state.

Today that all seems like a rather childish bad joke. Belgian economist Fernand Baudhuin thinks that "we are on the verge of a world-wide depression, not recession" while Dutch expert Jan Pen warns that in the future "we simply cannot project automatic growth ...I am quite pessimistic about the future." Professor Tadao Uchida of Tokyo University says Japan's GNP growth in 1974 will be "zero at best...Prices will continue to rise, and Japan will be fortunate to hold the increase to this year's 15 percent levels." An American pollster says that "For the first time in 25 years a majority of the people do not have 'consumer confidence'." All these statements appear in the great organ of capitalist mainstream thinking, Time magazine.

In this issue we begin a discussion of the roots of this emerging crisis. It is not enough to make dark forecasts. To understand the particular pattern this new period will follow, we have to understand how it was that capitalism managed to stabilise itself for two decades after the Second World War. Among the various attempts to grapple with that question, we found the theory of the Permanent Arms Economy the most plausible. First developed by the American economist T. N. Vance in the magazine The New Internationalist, it was elaborated and extended by the British International Socialism group. Kevin Bain is a supporter of the theory, and explains the basics of it in this issue. Ron Flaherty reviews an article from Australian Left Review from the vantage point of the theory of the arms economy as well.

Here as elsewhere we seek to critically assimilate the ideas of other writers and groups. Not all members of our organisation are as convinced on the arms theory as Kevin and Ron, and discussion will continue.

Second in importance to an analysis of modern capitalism is a critique of the second major social system in the world -- that which masquerades as "socialist", in the USSR and elsewhere. Ron Flaherty attempts to put that discussion on a sound footing with a refutation of the contradictory notions put forth by many revolutionaries that Russia is some sort of "workers' state" -- despite the utter disenfranchisement of the working class there. His re-evaluation of Trotsky's original analysis of stalinist society is, of course, no substitute for concrete studies of the actual contradictions and dynamic of stalinist societies today, and we hope to undertake those studies soon.

The Survey section is meant to provide commentary on topical questions. The most difficult at themoment is probably the events in Ulster, which Dave Nadel discusses. The Review section includes a critique of the recent issue of the women's liberation newspaper MeJane devoted to health and medicine. In the review Janey Stone points out the tendency for some members of the movement today to turn away from social strategies to a search for personal solutions to what are, ultimately, social problems. A more general article on this theme is planned for a future issue.

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## Survey

### AUSTRALIA'S ECONOMIC PROSPECTS

"1974: The first year of the future", is how Time magazine headed its survey of world capitalism's economic prospects last December. Time was discussing the onset of a world recession by the beginning of 1974, and made it quite clear that the balmy days of post-war prosperity were ending -- and with them, capitalism's two decades of relative political stability.

It would be more accurate to describe 1973 as the first year of this new period, for what characterises it is less the prospect of unending recession than the alternation of runaway booms followed by severe slumps -- a return to the traditional capitalist anarchy of the business cycle. The international boom took place in 1972 and 1973.

Australia shared in this boom, which was encouraged by the Liberals' last budget and which made it easy for Labor to fulfill its promises of full employment. The boom was at least as inflationary here as it was elsewhere in the world, but economists expected an international recession in 1974 which would dampen price rises somewhat. The recession did come, hastened by the oil companies' provocation of oil shortages, but has so far passed Australia by.

The cause of Australia's exceptional luck is not hard to pinpoint. Domestic manufacturers gained the relative advantage of being in one of the few countries

advantage of being in one of the few countries where oil prices did not rise. Far more importantly Australian mineral interests must have benefited immensely from world shortages in metals, especially copper. Prices of metals were driven sky high by widespread hoarding, as buyers stockpiled materials as a hedge against inflation. Though world metal prices have now begun to fall somewhat, they are still far higher than they were a year or two ago.

The consequence is that Australia's boom has been prolonged far beyond that of the rest of the world. The ruling class, and the government, are ironically not very happy about the fact, because inflation has reached such heights as to be a serious threat to political stability and business confidence.

Liberal rhetoric notwithstanding, the business community, from its point of view, cannot really blame the Labor government for these events. Labor has taken a very substantial series of measures, successive dollar revaluations and tariff cuts to a severe credit squeeze. Whitlam has sought to reduce economic growth, to dampen inflation. But given the expansionary pressures of the mineral boom, he has failed thus far.

Labor has now clearly decided to throttle the boom at all costs. Whitlam has effectively taken Australia's economy by the throat and is squeezing hard. Given the slight easing of mineral prices, and also of the world food shortage, he can probably succeed now in reducing economic growth and

slowing price rises for a time.

The land boom has clearly peaked; consumer confidence is down. The Commercial Bank in its May Economic Review predicts a "Crunch to Come" and Duncan Ironmonger of the Institute of Applied Economic and Social Research predicts that economic growth will be reduced from 7 percent in 1973 to 4 percent in 1974.

Whitlam is talking of axing public service jobs, and a recession will clearly threaten a lot more jobs. SWAG in its publications during the recent elections demanded the Labor movement confront now the problem of safeguarding jobs, and socialists should continue to make this a focal point of their agitation.

Regarding the lessons of a more general nature to be pointed out, socialists should really hammer home the implications of a Labor government deliberately creating an economic slump, and the ridiculous spectacle of a social system -- capitalism -- so irrational that it cannot even boom without threatening its own stability.

#### ULSTER: SUNNINGDALE STRUCK OUT

It's just possible that some sections of the British Imperialist bourgeoisie and government were stupid enough to believe that they had "solved" the "Irish question" with the Sunningdale Power-Sharing agreements before last month. If so

they would have been rudely awakened when the Protestant section of the Ulster working class succeeded with a strike where the ballot and the bomb had failed in sinking Sunningdale once and for all.

Socialist opposed the Sunningdale agreement yet we could not support the strike. At the same time we were also opposed to Wilson's attempts to smash the strike with the British army. To understand these seemingly contradictory positions one must first understand the background to the situation in Ulster.

Northern Ireland is the most economically depressed part of the area ruled by the British Parliament. Not only does it have the highest unemployment but even before the current "troubles" began in 1968 its standard of housing, schools and public services were well below that of the rest of Britain -- which is itself worse off than most western capitalist nations. But the hardship is not equally distributed. Protestant unemployment is about 4 to 7 percent while Catholic unemployment is about 18 percent.

For 50 years the British capitalist class has been able to con Protestant Ulster workers into accepting conditions inferior to Scottish and English workers on the grounds that they are better off than Catholic Ulster workers.

British imperialism has always used the religious issue

to divide the Irish people. In the early part of this century it was Orange-ism (anti-Catholic bigotry) that enabled Britain to hold onto the most industrially profitable part of Ireland when it was forced to grant independence to the rest of Eire. But since the war the economic situation has changed. For one thing, British industry has established a secure, profitable hold on the economy of the southern Republic. At the same time the shipbuilding and textile industries of Belfast which brought such large profits in the first quarter of the century are no longer particularly viable.

The phony religious dispute that Britain had fostered to maintain control over the North became a millstone hampering profitable co-operation between British imperialism and the Catholic middle class of Southern (and Northern) Ireland.

The agreement at Sunningdale was the mechanism whereby the British and Irish governments, together with the middle class of both the Ulster communities sought to create a profitable harmony at the expense of the aspirations of the working classes of both communities.

The agreement would have provided the symbol of United Ireland (the powerless Council of Ireland) and the appearance of Catholic participation in the government (a minority of Catholics in cabinet). In real terms control would have remained with British business and administration would have remained the Orange Upper

Middle Class. A large section of the Republican (for it includes non-Catholics) community represented (inadequately) by the Provisional IRA rejected Sunningdale as falling far short of the demand for a United Irish Republic. Virtually the entire Protestant community including substantial sections of the lower middle classes as well as the workers rejected Sunningdale as the thin edge of the wedge towards an end to Protestant supremacy.

But the Provisionals could come up with no real strategy other than terrorism with which to oppose Sunningdale. Contrary to the impression often held amongst Australian leftists, gained through reading press statements from the largely discredited Sean Mac Stiofan, the Provisionals do have a verbal commitment to a socialist Ireland both sides of the border and also towards co-operation with the Protestant working class. The problem is that the commitment is purely verbal, and as the leadership has been unable to agree on even a vague socialist program they are left with terrorism and self-defence as the only common points of agreed action. Consequently they have no approach with which to form a united front with Protestant workers against the British ruling class. Nor do they have the power to overthrow even power-sharing on their own.

The Protestant working class, however, having been declared dispensable by their leaders of fifty years did have a

Response. They used their power as a class to bring capitalism in Ulster to a complete standstill. So far so good. But the strike was being fought on a completely reactionary platform. What the Ulster Workers' Council wish to replace power-sharing with is a return to the pre-Sunningdale status-quo. That is Protestant supremacy under the British crown. The tragedy is that this is not even in their short-term interests, since Protestant supremacy still means inferior economic conditions to workers in Britain.

The strike then was a strike in favour of continued oppression of the Republican community and could not be supported by socialists. At the same time we reject the right of British troops to even be present on Irish soil. We are against troops being used to break even a reactionary strike since military strikebreaking is never done for progressive. Rather we demand withdrawal of British troops.

Socialists in Ireland must convince the Protestant working class that their economic problems can only be solved by a situation in which conditions are created so that there is no need for Protestants and Catholics to fight each other for jobs and the basic necessities of life. These conditions can only be created by a united socialist Ireland.

-- Dave Nadel

#### THE ELECTIONS

Psephologists (those enter-

taining bull-artists like Malcolm Mackerras, who predict elections in the same manner and with slightly less success than Lou Richards pick football winners) have already noted the high polarisation of the votes in the recent elections. The main thing they're emphasizing is the disappearance of the minor parties. We find it more significant that Labor increased its vote in working class areas such as Lalar by anything up to 10 percent. However, Labor's campaign was not directed at industrial workers but at white collar and professional swinging voters.

The high working class vote was more a reaction to the dangerous Liberal policies and an expression of trust in the Labor movement than support for the parliamentary leadership. Labor consistently lost ground in the country where the cutback in subsidies, fear of "socialism" and Anthony's courting of mining monopolies told against them.

Labor will not control the Senate. Whitlam, committed as he is to maintaining capitalism, will not be keen to use joint sittings for anything not directly concerned with the survival of his parliamentary majority. Thus he is more likely to use pressure to pass electoral reform than the health scheme, let alone Penal Clause repeal.

It will be up to the rank and file of the Labor movement to force the fight on these issues.

Kevin Bain

## PERSPECTIVES FOR MODERN CAPITALISM

There can be no denying the importance of developing an economic analysis of world capitalism in the postwar period. The cataclysmic predictions of renewed world crisis made by Trotsky in 1938 were shared not only by the Trotskyist movement but also by the Communist and Socialist Parties, and a revolutionary upsurge of major proportions was expected to occur in the West after the war. Important struggles occurred, but the weakness of Trotskyists (owing partly to wartime repression), the continued influence of stalinism and social democracy, together with superpower intervention allowed the bourgeoisie to contain the upsurge.

And the economic crisis did not arrive. On the contrary, despite temporary downswings, world capitalism was marked by a general stabilisation. World output grew twice as fast during the period 1950-64 as between 1913-1950 (1). The effect was a profound conservatism of society which diminished the influence of revolutionaries in the labor movement, and made it easier for the ruling classes to isolate them further by promoting McCarthyist/Cold War ideology. What the Left needs now is an analysis of the causes of this post war stabilisation, so that we can develop a perspective of how capitalism is changing, at what points it will become weakest, and how the changes will interact with the class struggle.

It is now clear that capitalism did not "solve" its internal contradictions after 1950. Today's emerging crisis is more than a social crisis of institutional and political credibility and the decline in public services. It has deep roots in the economic system. Amidst balance-of-payments difficulties (especially in Britain, Italy, and the US), stagflation or even negative growth, and high, uncontrollable rates of inflation, capitalist governments are in trouble. The resort to incomes policies may restrain wage gains (at least in the US) but also means that the growing industrial restiveness of workers assumes a political character, because the government is clearly seen as the enemy. This opens up new possibilities for the revolutionary Left to win industrial militants and eventually construct revolutionary workers' parties. A correct economic understanding of the origins of this new period of capitalist destabilisation will aid the development of a correct political orientation for the future.

## U.S. IMPERIALISM AND THE ARMS ECONOMY

The new relationship between the capitalist countries after the war was one of U.S. hegemony. The dominance of U.S. imperialism resulted from a number of factors: America's decisive role in the war; the fact that the impetus of war mobilisation provided a great opportunity for the development of its productive forces -- which were then left physically intact at the end of the war, unlike the European states and the USSR; the backwardness of its working class and consequently its political stability.

One result was U.S. domination of trade and monetary agreements (GATT, Bretton-Woods) and domestically, a huge surplus of investible capital. At the peak of the war effort in 1944, the percentage devoted to direct war outlays was 42.5 percent; this stimulated the growth of GNP by three times from 1939 to 1950 (2). Arms spending continued to play a key role after the war: during the five post-war years from 1946 to 1950 total war outlays averaged \$28 billion per year, while total private gross capital formation averaged \$39 billion annually (3). Total war outlays here means direct -- mainly expenditures of Departments of the Air Force, Navy and Army, payments of the Armed Forces Leave Act, expenditures of the U.S. Maritime Commission, and indirect -- foreign economic and military aid, AEC expenditure, and the expenditures of the Veterans' Administration. If these war outlays had been invested privately (i.e. invested in production for a market) a crisis of overproduction on the scale of 1929 would have occurred.

The twin threat of Soviet imperialism and socialist revolutions demanded that U.S. imperialism exert itself to keep Western Europe and Japan in the capitalist orbit by rebuilding their war-ravaged economies, all the while of course advancing America's specific interests. Thus a potential slump in the U.S. could be partially avoided by developing Europe and Japan. At the same time, the world situation led the U.S. to develop an awesome military establishment.

The American Arms Economy was not developed as a deliberate economic measure, but as a logical response by a powerful capitalist nation faced with a strong rival -- Russia -- and a series of nations whose resources and markets could be lost to that rival. What ultimately brought the U.S. unstuck, of course, was that these states developed into rivals themselves -- rival competitors to the U.S. within that capitalist system. These long-term consequences of the arms economy were only dimly perceived at that time, while the medium-term economic advantages were a pleasant surprise for the bourgeoisie.

## HOW THE ARMS ECONOMY STABILISES CAPITALISM

The stability of world capitalism in the postwar period was based on a permanent arms economy centred in the U.S. though arms spend-

ing was also considerable elsewhere. State investment in the arms industries provided a "leak" for capital, meaning that there was still investment of surplus value, but not for a market. Instead it was invested in an unproductive sector. There was no chance of production outstripping the buying power of consumers and investors because the arms produced went right out of circulation. Arms produce neither commodities nor capital goods -- they just become obsolete (or are exploded) and are replaced.

Since arms production is paid for by taxes (on wages and profits) it represents a degree of control by the state over the amount available for private investment, thus facilitating state planning. At the same time, it "mops up" surplus unemployed labor and machines. The state provides a subsidy to private industry through the technological "spin-off" from research and development in arms. Military outlays are a very large part of research and development, accounting for 52 percent of all expenditures in the U.S. (1962-63), 39 percent in Britain (1961-62) and 30 percent in France (1962). (4) Military research has been crucial in developing civilian products like air navigation systems, computers, drugs etc. The development of the computer in solving design problems, "game plans", and stock and production control has been particularly important. Big computers are still denied export permits from the U.S. on military grounds.

Some industries rely heavily on arms expenditures. A UN study in 1958-59 estimated the average military demand by industrial countries as 8.6 percent of total world output of crude oil, 3 percent of crude rubber, 15.2 percent of copper, 10.3 percent of nickel, 9.4 percent of lead and zinc, etc. (5)

Both in Britain and the U.S., it is the largest firms that obtain the defence contracts. (6)

The advantages of government expenditure on arms, as opposed to "hole-filling" or public works, are many. The sacred territory of private capitalism is not encroached on by "big government", as in the case of government expenditure in manufacturing, housing or mineral development. On the contrary, arms spending is ideologically impeccable from the capitalist point of view, because it is used to "contain Communism".

Other forms of public expenditure would tend to price the country practising them right out of the world market. Had the U.S. attempted such measures, it would have found other countries increasing productivity far faster, and its own exports vastly overpriced because of inflation. But the American arms program could be exported. That is, it forced other countries to construct their own arms establishments in order not to be left behind.

Thus the USSR, Britain, France and China, to name the most obvious cases, were forced in their turn to shoulder the burden

of arms production. Of course this compensation was only partial, as we will see below, but it was nonetheless real.

Though arms spending is concentrated in the U.S., it is large enough, in absolute terms to have a stabilising effect on the world economy.

#### THE LIMITATIONS AND CONTRADICTIONS OF THE ARMS ECONOMY

The Permanent Arms Economy (PAE) contains distinct contradictions and limitations, the consequences of which are now becoming apparent.

1. The level of arms spending is determined by geopolitical factors as well as the needs of the economy. As a result, it may rise above the needs of the system, causing inflation. This was the case with the Vietnam war. Or it may fall below the economically necessary level.
2. Some powers, notably Germany and Japan, are able to benefit from the world expansion of capitalism without shouldering the burden of arms production. This allows them to compete successfully with other powers, who respond by cutting arms expenditure. This is the cause of the general trend to reductions in arms spending -- from 7.2 percent of GNP in 1955 to 4 percent in 1965.

The pressures to reduce arms spending partly explain the Soviet-American "peaceful co-existence" and, more recently, detente.

3. To maintain military effectiveness with declining arms budgets, the powers specialise their armaments production. But this means that there is less useful technological "spin-off" and less absorption of surplus labor.
4. Arms production, while stimulating growth for a time, only aggravates the general world shortage of capital. Yet a shift away from arms production is made difficult because the labor cannot be shifted automatically -- rather one gets structural unemployment of highly specialised scientists and engineers.

5. Arms production is profoundly inflationary. While wages are paid, there is no corresponding increase in commodities. Instead of over-production, there is a tendency to under-production. With "too much wages chasing too few goods" prices rise steadily.

#### THE SITUATION TODAY

By the late sixties, the system was showing great strains. The U.S. balance of payments problem, caused by the Vietnam war and the declining profitability of investment in the U.S. (which led

to a massive flight of U.S. capital to Europe, Canada and Australia) meant a vast fund of U.S. dollars floating around the world. As the U.S. dollar became more and more inflated, so did the world economy.

Meanwhile, Europe and Japan were able to increase productivity faster than the U.S. because they did not have to spend so much on arms. They began to threaten the U.S. economy forcing the U.S. into successive devaluations.

Attempts to combat inflation with reductions in arms expenditures have restored traditional capitalist conditions of cyclical fluctuation without ending inflation, because monopolies continue to force prices up, and to create artificial shortages such as the "oil crisis".

The future for capitalist economies looks dim. No answer to the economic problems besetting the international ruling class has been forthcoming; reformism and social democracy are increasingly unable to offer solutions. If the Left is prepared and willing, significant gains can be made.

Although our own ruling class has been fortunate, international events must eventually catch up with it. Already inflation seems out of control. And a severe recession in Japan would have a massive effect on Australian export markets. The increasingly closed EEC market will not be an automatic back-up, especially since Britain remains inside the EEC.

In fact, with the exception of our near self-sufficiency in oil, Australia's prosperity depends on the world market. A return to "normalcy" in world mineral and food prices (which are abnormally high at the moment) and/or a drop in demand from Japan and the U.S. would put our ruling class in a tricky situation. Australia's boom will not continue much longer if world capitalism enters the recession which appears likely.

#### NOTES

1. Michael Kidron, Western Capitalism Since the War, Penguin, 1970 page 11.
2. T. M. Vance, The Permanent War Economy, Independent Socialist Press, 1970, page 6, Table A.
3. *Ibid*, page 9.
4. Michael Kidron, "Permanent Arms Economy" in International Socialism 28, page 8.
5. *Ibid*, page 9.
6. Kidron, Western Capitalism Since the War, page 53.

# RUSSIA: What Class of State?

Ron Flaherty

Regimes claiming to be "socialist", and popularly known as "Communist" rule in a third of the world. Carrying the usurped mantle of Marx and Lenin, they understandably possess a powerful attraction for the discontented masses in many countries, and to some degree for industrial workers in the west. Revolutionary Marxists, following Trotsky, have repeatedly exposed the repressive nature of these societies, and the counter-revolutionary nature of the bureaucracies ruling there. In the wake of events in Hungary, Czechoslovakia, Ceylon and Bangladesh those criticisms have begun to get a hearing.

It is ironic and damaging that precisely these criticisms of Stalinism should be hampered by a mistaken analysis of the fundamental nature of Stalinist societies. The majority of the critics cling to Trotsky's characterisation of Russia as a "degenerated workers' state", more progressive than capitalism because of state ownership of the economy. They extend this characterisation to other Stalinist societies. For many this involves a subtle (or not-so-subtle) capitulation to the very Stalinism they claim to oppose.

Trotsky's analysis, however plausible in the 1930's, will not hold water today. In openly attempting to revise this thesis -- in analysing the USSR and other Stalinist societies as a new form of class society which has nothing in common with a proletarian state -- we do nothing more than return to the fundamentals of Marxist theory. I will limit myself here to Russia as the "classic" case, but the same general analysis applies to other countries.

## TROTSKY'S ANALYSIS

"The character of the social regime is determined first of all by the property relations. The nationalisation of land, of the means of industrial production and exchange, with the monopoly of foreign trade in the hands of the state, constitute the bases of the social order in the USSR. The classes expropriated by the October revolution, as well as the elements of the bourgeoisie and the bourgeois sections of the bureaucracy being newly formed, could reestablish private ownership of land, banks, factories, mills, railroads, etc., only by means of a counter-revolutionary overthrow. By these property relations, lying at the basis of the class-relations, is determined for us the nature of the Soviet Union as a proletarian state." -- Trotsky in 1931 (1)

Trotsky maintained that while politically a reactionary bureaucracy ruled in the Soviet Union, the social rule of the working class was

maintained in the form of nationalised property. He compared the Soviet bureaucracy to a trade union bureaucracy, forced to defend the gains of the workers to a degree, and part of the working class movement, but vacillating, weak and prepared to betray. The Stalinists would never fight to destroy capitalism outside Russia -- indeed they would prepare the way for the restoration of capitalism in the USSR:

"The bureaucracy which became a reactionary force in the USSR cannot play a revolutionary role in the world arena" (2)

## THE BIG SHOCK

At the end of the second World War, the Stalinists made a mockery of Trotsky's analysis. They smashed capitalism throughout Eastern Europe. While this was accomplished with the aid of Soviet bayonets in most places, an indigenous Stalinist movement seized power in Yugoslavia without Soviet aid. And in 1949 an indigenous Stalinist movement seized power in China.

This unexpected Stalinist militancy stunned the Trotskyists. Trotsky, being dead, could not change his position. The leaders of the Fourth International, being religiously orthodox, could not change theirs. Their response was to deny that capitalism had been destroyed in Eastern Europe, and to characterise the new "People's Democracies" as "extreme-Bonapartist" or even "fascist" regimes. When the American Max Schachtman argued that the social system being established there was basically similar to Russia, and not at all capitalist, Ernest Mandel replied:

"No one can doubt for a moment that in Finland, Hungary, in Rumania or in Bulgaria... capitalism continues... Does he really think that the Stalinist bureaucracy has succeeded in overthrowing capitalism in half our continent?" (3)

But that was exactly what had happened, and it was not long before Mandel and his followers were forced to recognise it. When a conflict broke out between the "capitalist" Yugoslavia and the Russian "workers' state", the Fourth International found itself supporting... Yugoslavia! Now the Fourth International declared the East European states to be "deformed workers' states". The F.I. now veered to a new ridiculous extreme, writing a sickening sycophantic letter to "Comrade Tito" which Schachtman was able to pillory as "Left-Wing Stalinism, a Senile Disorder".

Behind this confusion lay a dilemma. If a state-owned economy was taken to define a "workers' state", it followed that the dictatorship of the proletariat had been established throughout Eastern Europe -- by the Stalinists! But if the Stalinists could establish a



proletarian dictatorship, then what of Trotsky's analysis of them as a consistently counter-revolutionary force? And what need was there for an independent Fourth International?

The choice seemed to be between denying reality (as do some to this day) and accepting Stalinism as a revolutionary force. The latter course was adopted by the majority of the Fourth International, who today refer glibly to the "socialist revolutions" in China, Cuba, Vietnam.

#### A REAPPRAISAL

Max Schachtman had a third alternative. He analysed the Stalinist bureaucracies as a new ruling class. The Stalinist society he called "bureaucratic collectivism -- a social system neither capitalist nor socialist, and indeed hostile both to capitalism and socialism

Stalinism, Schachtman argued, had a revolutionary dynamic of its own. The Stalinist revolution, however, entailed simultaneously the destruction of the bourgeoisie and the crushing of the proletariat, to enable the establishment of the bureaucracy's own class rule. Revolutionaries should not be a left wing for the new reactionary social system. Rather they should fight for the mobilisation of the "third camp" of the working class and its allies against both imperialist camps of capitalism and bureaucratic collectivism.

For this analysis he received no end of abuse from the orthodox flip-floppers of the Fourth International, but it is to his analysis we must turn today if we are to understand the nature of Soviet or Chinese society. We will approach this problem from two directions. First we examine the historical roots of the bureaucracy in the USSR. Second we review the Marxist theory of the nature of the workers' state.

#### A REVOLUTION BETRAYED

There can be no doubt that Lenin and the Bolsheviks would have laughed at the notion of "socialism in one country". Eight months before the Bolshevik revolution, Lenin wrote that the "Russian proletariat cannot by its own forces victoriously complete the socialist revolution." Four months after the revolution he said that "the absolute truth is that without a revolution in Germany, we shall perish." A year later, he wrote that "the existence of the Soviet Republic side by side with imperialist powers for any length of time is inconceivable." (4)

The small Russian working class, decimated by civil war, exhausted by privation and hardship, could not transform Russia alone. To Lenin and Trotsky of course, the "perishing" of the revolution meant capitalist counterrevolution. Yet for a variety of historical reasons, world capitalism did not intervene effectively to destroy the

revolution. As a result, there was a vacuum of sorts. Socialism was impossible without a world revolution -- and the world revolution was defeated: Capitalism could not be restored. Onto the stage of history, to fill the vacuum, stepped the Soviet bureaucracy.

The bureaucracy was formed from many elements: Party functionaries, officers returned from the civil war, ex-Tsarist officials and bureaucrats. In general we can say it was formed from petit-bourgeois elements. Unlike a labour bureaucracy, which is ultimately dependent on the organised working class for its existence, this bureaucracy had an independent power base: the state apparatus. (5)

It used this base, first unconsciously then consciously, to rise above the various classes in Russia.

Russia was an overwhelmingly peasant country. And during the period of the New Economic Policy, which allowed a rebirth of limited capitalist production and exchange, there grew up substantial groups of rich peasants (kulaks) and traders (NEPmen). The state bureaucracy found itself playing the role of arbiter between all of these forces and the working class. To begin with it was the servant of the workers. But with the working class exhausted and decimated, it began to play an independent role. When it felt strong enough, it acted to seize control of the state, and with it all of society.

#### THE DESTRUCTION OF THE LEFT OPPOSITION

After the death of Lenin there began a campaign against the most consistent defenders of the original revolutionary traditions of Bolshevism. In response, these defenders formed the Left Opposition led by Leon Trotsky. The political attacks centred on his theory of the Permanent Revolution, which maintained the need for world revolution and the impossibility of socialism in one country. Stalin, who had still denied the possibility of socialism in one country shortly before, now affirmed it. He was able effectively to say to the peasantry, and to an exhausted working class: "Down with Trotsky and his wild adventures... We can build socialism here at home!" Behind the political attacks came a wave of slanders, rumour-mongering and overt acts of repression.

The repression was so severe that in 1925 Zinoviev, Chairman of the Communist International had to hold a secret meeting in the woods of Moscow to discuss party matters with other party leaders, because they wanted to hide it from Stalin. One can imagine the situation of a rank and file worker who supported Trotsky!

Finally in 1927 Trotsky and his supporters were expelled, exiled, and many ultimately murdered.

next page: THE RIGHT IS CRUSHED ...

### THE RIGHT IS CRUSHED

The Left Opposition were not Stalin's only obstacle. There remained the "Right" faction of Bukharin. Bukharin was the supporter of the kulaks, and had raised the slogan "Comrades, enrich yourselves". Trotsky portrayed the Stalin faction as "centrist", wavering between the proletarian forces represented by the Left Opposition and the capitalist forces which he saw represented by Bukharin. He expected the Stalinists ultimately to be crushed between the Right and the Left, because he considered it to be a labour bureaucracy with no independent class base.

In reality, the Stalinists followed their victory over the Left by smashing the capitalist forces as well. Early in 1928, there was a grain strike by kulaks. After some initial confusion, the regime gave in and made concessions. This looked like the fulfillment of Trotsky's predictions. But by 1929 the regime was ready to strike back. Shamelessly borrowing arguments from Trotsky, Stalin denounced the Right faction as representing kulaks and NEPmen. The Rightists were dismissed from party posts. Then Stalin launched a program of forced collectivisation of agriculture. The kulaks were "liquidated as a class". And the first Five Year Plan began the industrialisation of the USSR, which ultimately transformed a backward country into a superpower.

By 1936 a last massive purge, the infamous Stalin trials, cemented the hold of the Stalinist bureaucracy over party and state.

In sum, a state bureaucracy emerging out of the deadlock and the dilemma of the Russian revolution, was able to intervene decisively in its own right to transform the Soviet Union in its image. That transformation was accomplished over the suffering and death of workers and peasants. That is, the Soviet bureaucracy acted in no way like a vacillating labour bureaucracy and in every way like a ruling class. Seen from this viewpoint, its later dynamic intervention in Eastern Europe is not surprising at all.

### THE MARXIST THEORY OF THE WORKERS' STATE

Our understanding of the Soviet bureaucracy as a ruling class bases itself on well-established Marxist theory. The collectivisation of property, which exists in all the Stalinist countries, is of course a necessary also of the transition to socialism. But it by no means the only question in determining whether a state is a workers' state. Here is how Marx approached the problem:

"We have seen above, that the first step in the revolution by the working class, is to raise the proletariat to the position of ruling class, to win the battle of democracy. The proletariat will use its political supremacy to wrest,

by degrees, all capital from the bourgeoisie, to centralise all instruments of production in the hands of the state, i.e. of the proletariat organised as the ruling class..." (my emphasis throughout) (6)

A reading of the relevant sections of Lenin's State and Revolution will show the same emphasis on workers' democracy as the very heart of the question of the workers' state. And for good reason. The proletariat is not a new property-owning class. It only "owns" property through its control of the state. Given a state-owned economy, if the working class loses control of the state, it has lost control of the means of production, and its social rule therefore ends simultaneously with its political rule. (7)

Remarkably enough, Trotsky himself applied the same criteria as we at an earlier stage. In 1931 he asked:

"If we proceed from the incontestable fact that the CTSU has ceased to be a party, are we not thereby forced to the conclusion that there is no dictatorship of the proletariat in the USSR, since this is inconceivable without a ruling proletarian party?"

This is inconceivable! Why then is Russia still a workers' state? Because it can still be reformed:

"The recognition of the present Soviet state as a workers' state not only signifies that the bourgeoisie can conquer power in no other way than by an armed uprising but also that the proletariat of the USSR has not forfeited the possibility of submitting the bureaucracy to it, of reviving the party and of mending the regime of the dictatorship -- without a new revolution, with the methods and on the road of reform." (8)

And in answering the same question in 1928 he had written:

"If Thermidor is completed, and if the dictatorship of the proletariat is liquidated, the banner of the second proletarian revolution must be unfurled. That is how we would act if the road of reform, for which we stand, proved hopeless." (my emphasis) (9)

The question of whether Russia is a workers' state reduces itself here to the question of whether the workers control the state -- even if only in the sense that they can still regain control of it through reform. It follows logically that if they cannot reform the regime, if a new revolution is needed, Russia is no longer a workers' state. This conclusion Trotsky was never quite willing to draw. But it is the conclusion we must draw today.

CONTRADICTIONS OF BUREAUCRATIC COLLECTIVISM: a first approximation.

The aim of this article was primarily to establish that societies such as the USSR are not workers' states, but represent a new form of class society, distinct from both capitalism and socialism -- and therefore the bureaucracies ruling there are ruling classes. For them we adopt Schachtman's term bureaucratic collectivism. The specific dynamic and contradictions of these societies are best developed in a separate article, and I will attempt a concrete analysis of China in a later edition of this magazine. However, the reader would be justified in feeling slighted if some summary were not given here.

The central contradiction in capitalism is between the social nature of production and the private ownership of the means of production. The central contradiction in bureaucratic collectivism, by contrast, is between the collectivisation of production and therefore the need to plan -- and the inability to plan efficiently owing to bureaucratisation, repression and cutthroat competition among bureaucrats.

In the early days of the Soviet economy, this contradiction led to crises in production of the sort parodied by the western press: ten million shoelaces produced but no shoes. Today, in a more sophisticated economy it is more reflected in a perpetual threat of stagnation.

Arising from the bureaucratic inefficiency, and the attempts of managers to rise in the bureaucracy one finds incessant falsification of statistics, sabotage of one sector of industry by the managers of another for their own ends, low labour productivity.

When economic difficulties lead to a sharpening of the class struggle, the fusion of state and economic power means that working class action has a particularly explosive character. Every strike is a political act, and raises the question of the state power. This is the most important reason for the totalitarian repression in political life. But while totalitarian repression dampens struggle in the short run, it makes that struggle all the more explosive when it finally breaks out.

The Soviet Union must be considered an imperialist power. Here it may be objected that imperialism is "the highest stage of capitalism", and consequently a non-capitalist system cannot be imperialist. It is true that the USSR doesn't look like a capitalist imperialist power, with the features outlined by Lenin in his famous essay. But it is imperialist in its own way. Lenin himself wrote:

"There have been imperialist wars on the basis of slavery (Rome's war against Carthage was an imperialist war on

both sides) as well as in the Middle Ages and in the epoch of mercantile capitalism. Every war in which both belligerent camps are fighting to oppress foreign countries or peoples and for the division of the booty, that is, over 'who shall oppress more and who shall plunder more', must be called imperialistic." (10)

Lenin's words aptly describe the role played by the USSR in the second World War. In the sense Lenin describes, the USSR is imperialist. The phenomenal seizures of industrial resources in Manchuria and Eastern Europe after World War II, the exploitative economic treaties with the countries in Eastern Europe, and its present geopolitical role all stamp it as such.

It might finally be asked whether bureaucratic collectivism represents some sort of New Order destined to usurp the place of the working class as the grave digger of capitalism. The possibility cannot be theoretically excluded, and represents one possible realisation of the tendency to barbarism in late capitalism. However, the stalinist social system has only experienced one period of significant expansion, at a time when the second World War had tremendously weakened capitalism, and the working class held far stronger illusions about stalinism than it does today.

With the growth of the class struggle internationally today, it seems far more sensible to believe firmly in the ability of the working class to put an end both to capitalism and its exploitative stalinist rival.

Notes

1. Trotsky, "Problems of the Development of the USSR", p. 3, 1931, quoted in Max Schachtman, The Bureaucratic Revolution, p. 38
2. Trotsky, The Death Agony of Capitalism, Socialist Review Edition, Melbourne, p. 40.
3. Fourth International, June 1948, quoted in The Fourth International, Stalinism and the Origins of the International Socialists, Pluto Press, London, 1971, p. 61
4. All quotes from Lenin cited from Max Schachtman, "The Struggle for the New Course", p. 125, in the edition of Trotsky's The New Course by Ann Arbor Paperbacks, University of Michigan, 1965. For a really formidable line-up of quotes on this issue see R. Black, Stalinism in Britain, New Park Publications, London 1970, pp. 43-50. Black is a supporter of Healey.
5. While it is not central to this stage of the argument, this might be a good stage to answer a potential objection: that to say the bureaucracy seized hold of the state apparatus and

# REVIEWS

MEJANE, VOL. II, NO. 2.

"Apart from as much information of an anti-doctor nature as we can muster, there will also be an attempt to discover how people were conditioned to believe that institutionalised medicine ever had any solutions to health...."

Mejane, vol. II, no. 1,  
July 1973.

This announcement of the special health issue of Mejane, vol. II, no. 2 April 1974 indicates clearly the content of that issue. Articles include drug therapy, fluoridation, psychiatry, welfare, and other aspects of health together with the projected "positive alternatives to medicine: woman heal yourself" -- ie. naturopathy, midwifery, herbal medicines etc. The general approach is that "masculinist" institutional medicine has nothing to offer women, who instead must "seek the power of healing within ourselves now." "Men are incapable of healing what only we can heal."

Included in this issue is a double page of excerpts from The First Sex by Elizabeth Gould Davis, which "exquisitely demonstrates the necessity for female supremacy" and portrays a past golden age of vegetarian, cave painting matriarchs, finally toppled by jealous, meat-eating males.

The layout and design of this issue of Mejane are excellent: It is a real pity that most women outside the movement will only find confirmation of their suspicions that women's liberationists are male-hating cranks with nothing of relevance to say to the ordinary woman. The scattered outdated comments on 19th century medical ideas from G.B. Shaw, a well-known male chauvinist, does little to inspire respect for the intellectual level of the editors.

The Mejane writers find it necessary to invoke an extensive conspiracy (presumably male) to explain how we have all been taken in by orthodox medicine. But a very simple explanation can be found in the words of Robyn in a letter on page two: "Very often it worked".

Robyn's comment actually was intended to refer to folk and herbal medicine. But her concise phrase shows up the problem in the way the writers of this Mejane issue approached the question of health. While trying to deal with the very serious problem of institutionalised health and medicine, particularly as practised within capitalism, they confuse the techniques of medicine, including drugs and surgery, with

used it for its own ends amounts to "reformism in reverse". What about the smashing of the state? We might simply reply that the workers' state (i.e. the soviets) was indeed destroyed in the process of stalinisation. But quite aside from that, this matter of smashing the state concerns the proletarian revolution in particular, not social transformation in general. Socialism cannot grow up within another social system; consequently it can only be created by the destruction of the existing state machinery. This is not necessarily true of capitalism (when did the bourgeoisie in Germany "smash" the feudal state machinery?) nor of bureaucratic collectivism.

6. Marx and Engels, The Communist Manifesto, in Selected Works, Moscow 1951, Vol I, p. 50
7. Trotsky often compared the Stalinist regime with capitalist Bonapartism, where a dictator controls the state without challenging the social rule of the bourgeoisie. But the bourgeoisie can maintain its social rule under a Bonapartist regime precisely because of the separation of property from the capitalist state. The situation is the opposite in the USSR, and thus the analogy is quite false and misleading.
8. Trotsky, op. cit., p. 34 and 36, quoted in Schachtman, The Bureaucratic Revolution, p. 94
9. Trotsky, Letter to Borodai, printed in Schachtman, The Bureaucratic Revolution, p. 103 and reprinted in What is the Workers' State, an educational pamphlet of the Socialist Workers' Action Group.
10. Lenin, Works, Collected Edition, Vol. XXI, p. 387, quoted in Schachtman, op. cit. p. 59.

Beside the books mentioned in the notes, readers may be interested in reading Trotsky's Revolution Betrayed which contains his classic analysis of the USSR, his In Defense of Marxism which contains his replies to Schachtman and others on the "Russian Question", Tony Cliff's Russia, a Marxist analysis for the state-capitalism analysis of the stalinist societies supported by the British group International Socialists, and Kaya Dunayevskaya's works for an alternative state-capitalism viewpoint; the book The Fourth International, Stalinism, and the Origins of the International Socialists contains a critique of Schachtman by Tony Cliff which is, however, rather disappointing.

the way they are used in this society. The problem is not a personal one: Why am I sick? Rather it is a social one: How can we organise society to deal with health and sickness on a mass scale?

The effectiveness of many modern medical techniques should not need to be proven. While admitting that these techniques are limited, it's easy to find evidence that the death rate has dropped radically in the last hundred years or so (why else have we suddenly a population explosion?). Many previously fatal diseases have been eradicated from many western countries; the death-rate from childbirth in these countries has been dramatically reduced; and the group with the greatest infant mortality rate in Australia today is that with the most restricted access to institutionalised medicine -- aborigines.

Contraception has become increasingly effective -- with all its problems, the pill actually does work. No great conditioning or coercion is required to convince women who desire an effective contraceptive to use it. That notorious technique, surgery, also often works -- from replacing severed hands to restoring sight in cataract patients to safe methods of abortion.

Few will deny that health services are at present abominably organised, that the AMA is a reactionary elite, and that drug companies are more interested in their profits than in human health.

We have all seen the tragic effects of overdose and misuse of common painkillers and tranquillisers, which many people turn to trying to solve their feelings of alienation and powerlessness.

But in Mejane, the effects of overdose are confused with the genuine therapeutic use of these drugs. Many essential substances are toxic in excess -- for instance, oxygen and water. A man died in England recently from vitamin A poisoning -- he drank too much carrot juice.

Modern medical techniques have much to offer. So, too, in many cases, does fringe medicine. What is essential before it is possible to develop a truly human medicine, is to create a society which is concerned with health for people rather than profits from drugs, and which does not allow the growth of an elite of medical experts, but spreads medical knowledge widely through society. Health in past times was no less a part of society. Witches, witchdoctors, astrologers and midwives were just as much institutions as doctors and nurses are today. The problem is not that we have institutions -- it is to make our institutions work for us, to ensure that we control them.

Actually the health techniques as presented in the Mejane articles have many characteristics of institutional medicine of the 19th century. The excessive concern with elimination, toxins, constipation ("in 90% of cases, the heaviest toxæmia is in the bowel") have an amazing Victorian ring. Moralism exudes from the theory of personal responsibility in the radical therapy article, and in the attitude to pain ("no

pills for that toxin headache, just lie down and go through it"). It is nothing new for women to be told that suffering is good for them.

One of the fundamental and crucial theories around which the women's liberation movement first developed was "the personal is political". By this was meant that women, trapped within the family, tend to experience their problems as personal and individual. The function of consciousness-raising, at least during the early years, was to show how women weren't really alone with these problems, that they were shared by other women and were political and social questions. Through consciousness-raising groups, the woman changed her attitude from: "it's my fault, the problem is mine personally" to: "it's not my personal fault, the problem is social and needs to be solved politically."

During the last year, many women's liberationists in Australia have retreated from this early insight. Many of the ideas now popular in the movement amount to the reverse -- the political is personal -- and all problems are approached in an extremely personal, apolitical way. The approach of this issue of Mejane to health is a perfect case in point. The articles reek of the old female response we've been trying to escape from -- "it must be my fault".

If your "mind and emotions will not work properly", if you can't relax, or lack energy, then you must be sick. You need the New Wonder Cure -- "the amazing healing qualities of food", or spinal adjustment. What is the

difference between this and the medical "masculist" wonder cures like Valium or tetracyclines? If you "have problems of a psychic-survival nature" the problem and the solution are again personal. In fact, it is "self-evident" that we already have an answer inside us: "Within each of us is the power to heal given the opportunity." Even our social problems are really our personal problems because of our "decision to agree to the putdowns and social contempt".

That is the sad implication of one writer's remark that we have come back "full circle to the glaringly obvious -- our own responsibility."

-- Janey Stone

Pat Vort-Ronald, Marxist Theory of Economic Crisis, in Australian Left Review, no 43, March/April 1974, p. 6-13.

Pat Vort-Ronald appears to be a member of the Adelaide/Intervention tendency within the CPA. Her article, while correct and useful as far as it goes, also suggests the weaknesses which will make it difficult for that tendency to present a clear alternative to the existing leadership or to project a coherent revolutionary strategy.

The first sections of the article present a summary of the Marxist understanding of the role of crises. Value is created only by labour; an increased ratio of constant capital (machines, etc.) to variable capital (labour) therefore leads to a falling rate of profit. At-

tempts to maintain profit rates by increasing the volume of production leads to overproduction, which precipitates a depression. The depression allows the rationalisation of industry and depreciates capital, thus raising profit rates and allowing those companies which survive the depression to resume capital accumulation on a higher level. Crises, however, are politically undesirable. Keynesian economics attempts to avoid crises, but does so at the cost of stagnation and new contradictions.

Vort-Ronald goes on to discuss the limitations of Keynesian solutions: government attempts to "flatten out" the business cycle lead to stagnation; government expenditure on public works is inflationary. Inflation creates a trade deficit, for exports must be sold at inflated prices. She concludes with an argument similar to that of Catley and McFarlane that governments today seek to cope with these problems through more comprehensive planning and schemes to co-opt the trade unions, as advocated by the Organisation for Economic Co-operation and Development.

I do not wish to quarrel with any of these arguments, even with some oversimplifications (which were probably necessary for the sake of brevity). It is their abstract and ahistorical quality that limits their usefulness. It is correct but insufficient to say that capitalism has crises and Keynes tried to mitigate them. Keynesian solutions came into favour at a particular time, when

capitalism had entered its epoch of irreversible long-term decline as a world system. In its period of ascendancy, despite regular crises (about every ten years), capitalists were extremely hostile to ideas of state intervention for it represents a partial negation of the system itself. Threatened after World War I with the prospect of world revolution and facing a period of stagnation and crises which was to last two decades, the bourgeoisie turned reluctantly to these solutions.

Even then, Keynesianism was hardly very effective. Government public works projects and "pump-priming" did not end the depression; to do so would have demanded state intervention and expenditure on a scale far beyond what capitalists would tolerate. It was the Second World War that ended the depression.

Following the war, most Marxist and even bourgeois economists expected a new capitalist crisis. What avoided it, and allowed a stabilisation of the system on a world scale was not the Keynesian recipe of government expenditure and public works, but the massive arms establishments erected by the United States and other powers in response to the danger of capitalist collapse.

Arms spending is "Keynesian" in the sense that it involves public expenditure in an unproductive sector. But it has advantages that other public expenditures do not. It is ideologically acceptable to

even the most neanderthal members of the bourgeoisie because it is part of the "struggle against Communism". It does not smack of "socialism" the way other public projects do. It does not present a threat of competition to established private enterprise. Unlike other public expenditure, building an arms establishment in one country forces other countries to follow suit to at least some degree, thus lessening the bad effects on one balance of trade.

This sort of concrete analysis explains the roots of capitalism's remarkable post-war stabilisation, and the origins of the present destabilisation (see Kevin Bain's article in this issue). It allows us to fix the international causes of Australia's inflationary crisis (certainly primarily caused by Australian public expenditure!) And it makes it obvious that we are seeing the deep contradictions of decaying capitalism reasserting themselves with a vengeance as the arms economy reaches its limitations as an instrument of stabilisation. The consequences will be a new era of crisis with which "technocratic Laborism" will not be able to cope by any stretch of the imagination.

The solutions advanced by the OECD amount to tinkering, much as did Keynesianism. The task for socialists is not just to develop a response to Labor's new methods of economic and social management, though that should be done. We

have also to articulate perspectives that will allow the working class to come to grips with a new era of revolutionary possibilities, as the bankruptcy of even sophisticated capitalist solutions becomes more and more clear.

--- Ron Flaherty.

THE TRAITORS, film by Grupo Cine de la Base (shown at Melbourne Film Festival).

Unlike popular conceptions of the third world, Argentina is industrial and urbanised. And it is with political life in the industrial working class that The Traitors is concerned. Set during the period of large scale working class activity in 1969, its subject is the right wing of the Peronist movement. In particular, the film deals with the trade union leadership, bureaucratised and corrupt, notorious for its deals with bosses, the military government and the U.S. embassy.

We are shown dramatically the living and working conditions of the workers. The film concentrates on one union bureaucrat, and the development of his relationships -- personal and political -- with his wife, his gang of thugs, his mistress and the bosses. While this film is heavily political, there is little polemical dialogue -- we are simply shown reality from the working class point of view. The action of strikes, union meetings and political violence speaks for itself.

The Grupo Cine de la Base (Rank and File Cinema Group) who made the film are sympathetic

tic to the left wing of the Peronist movement, and have themselves been subject to the general repression. Polarization of the two wings of the Peronist movement has intensified in recent years, with the growth of an urban guerilla movement within the left wing. While many revolutionaries will not agree with this as a strategy, The Traitors' examination of the major problem of bureaucratic control of trade unions makes it relevant and important for the working class and socialist movement in Australia.

-- Janey Stone.

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