

WORKERS

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CAPITALISM'S HOUSE OF CARDS

JOURNAL OF THE COMMUNIST PARTY



London guides point way over Constitution

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The other Iran option: do nothing

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When engineers defeated anti-union laws

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IF YOU WANT TO REBUILD BRITAIN, READ ON

WORKERS

“Forty years young



THE COMMUNIST Party of Britain was formed 40 years ago. And we are still here, while most of what appeared during the interesting year of 1968 has long since disappeared or found a resting place in obscure history books – or in the case of the “leader” of student revolt in Paris in 1968, a well-padded seat as a middle-of-the-road Green MEP.

We were formed out of the industrial working class of Britain, by engineers led by our first Chairman, Reg Birch. Early on, we established our task: in the words of our Party Programme, “to change the ideology of the working class”.

That programme concluded: “In all our struggles we must seize every opportunity to relate Marxist-Leninist theory to the practice of the working class. Only thus shall we, the workers, make the change in the ideology of this working class of Britain, which has demonstrated all the way since Tolpuddle and before that all it lacks is its own ideology and has yet to discover that that ideology is Marxism-Leninism.”

We said then, and we still say, that we “must therefore judge all our efforts against the contribution made to this end, for if we do not then our efforts will only perpetuate the confusion of thought which alone has held

back the British working class for so long.”

Much has changed since 1968. The Governments have come and gone. The industrial working class remains, but much diminished in size and even more so in confidence, vision and collective spirit.

Britain has been gutted by four decades of asset stripping under Labour and Conservative governments. The collapse and break-up of the Soviet Union has altered the politics of the world. China has emerged as a driving force of triumphalist capitalism. We have entered a new period of imperialist wars.

But some things have not changed. Amid the so-called triumph of capitalism, banks lose billions and workers must prop them up through taxation. In the city that harbours Wall Street 1.3 million go hungry (see page 4). Above all, workers still have a solution to the problems of capitalism, if they choose to exercise it. Capitalism is still essentially weak, existing only because workers allow it to.

We will be celebrating our 40 years at Conway Hall on 1 May, International Workers’ Day, but also throughout the year. WORKERS will be carrying monthly articles looking back at the ebb and flow of struggle over the four decades, reprinting articles from the publication or its predecessor, THE WORKER. We start this month on page 14 with the ultimately successful struggle that defined the early 1970s, against the Industrial Relations Act.



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Water campaign wound up

IN OCTOBER 2006 the South East Regional TUC – conscious of chronic water shortages, failing infrastructure problems especially in London, rationing and supply problems – called for a regional and national campaign to seek the public ownership of water at the earliest possibility with a specific demand that a national grid for water supply be introduced. Fifteen months on the campaign has been effectively wound up, with a monitoring rather than campaigning exercise now being undertaken.

What has brought this about? Increased rainfall and flooding created short term amnesia and the problem was seen to have gone away as though by magic! Similarly, intense restructuring within the water industry has reduced the industry to almost a monopoly by a tiny number of major multi-national players. Thames Water, for example, is now owned by an Australian bank.

There is a view that nothing can be done in the face of this centralisation of private economic power. At the same time the industry regulator's imposition of multi-million pound penalties on the water companies for failed service has effectively been shrugged off as the companies have made even greater profits which have dwarfed the fines.

Regulation and consumer interests are seen to have failed in that they were only a cosmetic sop intended to disguise the real brutal nature of dealing with a profit crazed and money-driven industry. There is a paralysis in thinking across the trade unions and their lawyers in the face of European Union legislation. A utility can remain in public ownership, but once privatised, EU law prevents it from ever being taken back into public ownership.

The paralysis through the trade unions and their lawyers over this issue reflects the same mindset politicians have about the European Union. Just because they say you can never do something doesn't mean that you cannot. Because they say we cannot do it should be the spur to assert ourselves and do it – an independent sovereign nation taking control of its water resources, why not? And to do something – renationalise water – may well be an example of one of the myriad actions which will bring the European Union tumbling down.

It is unbelievable that anyone actually believes the hogwash that you can legislate for issues in the future. Once upon a time Parliament here was very clear that it could not dictate and prescribe to unborn generations. Only the European Union thinks it can dictate the future! This fatalism of thinking is what leads to people sleepwalking into dictatorship.

If you have news from your industry, trade or profession we want to hear from you. Call us or fax on 020 8801 9543 or e-mail to rebuilding@workers.org.uk

MAURITIUS

Strike against 'British' law



TRADE UNIONS and workers' parties in Mauritius have called for a general strike in early December to counter anti-union legislation – modelled on British law – being introduced by the government.

The planned law coincides with the government's attempted "democratisation of the economy" – all of which is linked to the restructuring of the sugar industry. This restructuring is tied into European Union abolition of guaranteed prices for Mauritian sugar and is a three-way fight between the EU attempting to dominate the Mauritian economy, the sugar barons trying to offload the financial crisis onto the workers and the trade unions fighting to safeguards their members' livelihoods.

The EU's role in revamping a new colonialism – Mauritius became independent from Britain in 1992 – is about recreating the economic chains of empire. And not only economic chains but military: despite continued High Court successes against the deportations from Diego Garcia – the Chagos Archipelago – in 1965, the illegal US and UK military occupation continues. It is still a central demand of the Mauritius trade unions and independence movement that the seized territory be fully restored.

EURONOTES

The latest from Brussels

New year, same story

WHEN BLAIR agreed the EU budget deal in December 2005, the press focused on giving up £7 billion of the rebate. More significant is that our net contribution nearly doubles from £2.8 to £5.5 billion a year between 2007 and 2013; an extra £19 billion net over 7 years. The gross contribution, after the reduced rebate, rises to £10.2 billion a year, £71 billion over the whole period.

Plus ça change...

Valéry Giscard d'Estaing, author of the EU Constitution, said in several European newspapers that the Reform Treaty is the same as the Constitution: "The difference between the original Constitution and the present Lisbon Treaty is one of approach, rather than content." He said it wouldn't be honest to tell the British voters the substance of the text had changed. He believes that the flame of a United Europe can be rekindled using the Treaty. Nicolas Sarkozy told MEPs that referendums on the Treaty were "dangerous" and would be lost in France, Britain and elsewhere.

MPs slam risks

THE COMMONS European Scrutiny Committee warns Britain would face "new and unquantifiable risks" as a result of the EU Reform Treaty, arguing that the government's "red lines" would not provide adequate protection against increased EU jurisdiction. Its report foresees "a steady transfer of jurisdiction to the Commission and the European Court of Justice in the areas of civil and criminal justice."

The MPs also criticised the lack of opportunity for debate before the Treaty was signed: "The process could not have been better designed to marginalise the role of national parliaments and to curtail public debate, until it has become too late for such debate to have any effect on the agreements which have been reached."

Waving the flag

SIXTEEN COUNTRIES have signed up to an annex to the EU Reform Treaty on the importance of the EU flag, anthem and motto. It says these symbols, and also the euro and Europe Day on 9 May, "will continue to be symbols of common membership of citizens to the European Union."



Seaford students on the march for their college.

Photo: Jack Stonehouse

Sussex fight for 6th form

A WHOLE TOWN on the Sussex coast is up in arms at an attempt to close the local school's sixth form. At Seaford Head Community College, the school's curriculum and fabric have been allowed to deteriorate, the governors pursued empty PR gestures like achieving specialist status as a sports school, ignoring the fundamental function of a school, to educate the young. Then, in October, they sent pupils in year 9 home with a letter saying that they were suspending the sixth form, and that pupils would have to go elsewhere in the county for AS and A level education.

They can do this because the Brown government, with one hand promising to raise the school-leaving age by 2015, with the other has restructured post-16 education funding. Sixth forms are portrayed as expensive, and the county council and government wish to drive pupils away from sixth forms, and AS and A levels, and into further education and the new vocational diplomas.

The principal and governors presented the decision as a suspension of the sixth form, rather than a closure, for the sole reason that suspension allowed them to avoid the requirement to consult.

Sixth form education has always been, by its very nature, expensive. The smaller classes required for study at a higher academic level, the equipment, the necessary infrastructure are all money well spent, not only for the pupils in the sixth form itself, but for the benefits they bring to pupils in lower years. The town has fought hard over the past two months, organising petitions, public meetings and the first demonstrations to be seen in the town for a very long time.

USA

Home of the hungry

THE NEW YORK Coalition Against Hunger, an association of churches and charities, says the number of people who use their food pantries and soup kitchens has increased by 20 per cent in 2007 with many distribution points struggling to meet demand following cuts in federal funding.

In the largest city in the world's richest country 1.3 million people, one in six of the population, cannot afford enough food and rely on emergency aid. The Coalition says this year's increase in demand is the first concrete sign of economic slowdown but that the number using its services rose by 11 per cent in 2006 when the economy was supposed to be still strong.

One in three of the city's children live at

or below the poverty level according to US census figures. Studies carried out by Harvard University estimate that this degree of food insecurity costs New York \$2.65 billion per year in lost revenue and increased health costs.

The US Department of Agriculture says 12.6 million households throughout the country, 10 per cent of the population, could not afford an adequate supply of food in 2006 – 35.5 million Americans including 12.6 million children.

Hunger levels in the US are far higher than in its neighbour Canada, which is at a comparable level of economic development. Researchers found that in the period 2003–2005 among households with children the rate of adult food insecurity was nearly twice that in Canada, and that the rate of "severe food insecurity" was 80 per cent higher.

SEAFARERS

EU rules against right to strike

ON 11 DECEMBER, the European Court of Justice ruled against Finnish seafarers' right to take strike action. This shows what the labour movement can expect from Brussels and its renamed constitution. The EU court has ruled that Finnish ferry operator Viking Line had the right, known as "freedom of establishment", to ignore collective agreements made with Finnish unions, re-flag its vessels to Estonia and recruit local crews on lower pay.

Britain's maritime ratings union, the RMT, warned that the ruling will be used by employers to impose lower wages across the EU on the basis that any action, such

as against flags of convenience, 'restricts the right of freedom of establishment'.

The RMT said, "This unaccountable EU court has ruled that the right to strike, supposedly enshrined in EU law, is now 'subject to certain restrictions' and is only subject to 'national law and practices'. As a result, not only will Tory anti-union laws remain in place here, but the right to strike in Finland is also illegal if it is deemed 'contrary to good morals' or is prohibited under EU law.

"This underlines the need for a referendum on the renamed EU constitution as it hands huge powers to EU institutions like the ECJ which lack any morals themselves and serve the interests of big business in the name of 'free movement'."

Middx. profs win union fight

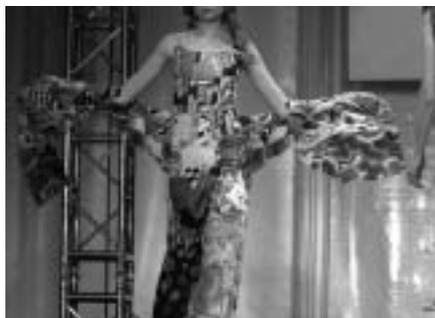
MIDDLESEX UNIVERSITY in North London has just signed a recognition agreement which will see all the professorial staff involved in teaching and research being represented by the Universities and Colleges Union (UCU). The university had argued that as the professors were part of "senior management" they could choose to be union members, but the union could not negotiate on their behalf.

This victory is the end point of a fight which really took off in July 2005 and is an object lesson in basic trade unionism. In July 2005 all the professors in the university received a letter just before their summer holidays announcing that the university was aiming to make 19 professors redundant (the number carefully chosen to avoid compliance with legislation which makes additional requirements on the employer if the number is 20 or more).

Despite the lack of official recognition, professors contacted the UCU branch and a fight took off. In the event less than two whole time equivalent posts were lost and this was because the individuals opted for redundancy. Some professors were so enraged by the letter, they sought posts elsewhere (probably what the management had hoped for). But most professors stayed and started a campaign for recognition which has taken just under 18 months to achieve victory.

FASHION

Equity opens up to models



THE TRADE UNION Equity has opened its membership to catwalk and photographic models.

The move comes after a group of models approached the trade union outlining their need for a representative voice to lobby for better working conditions.

Equity spokesman Martin Brown

explained: "We were approached by models earlier this year, who said they have no say in the industry, that they get money from the agent without being told what each job is worth. They are often working long hours without any agreement on what those hours will be, and are frequently working without proper breaks and often without food."

During the talks with Equity, the models spoke out against the treatment they face at fashion shows and photographic shoots. One told how his scalp bled after having large quantities of peroxide put on his head, while another complained of an extreme allergic reaction after having her body covered in car paint.

Equity is in talks with the British Fashion Council to establish "standards of decency" that could be used throughout the industry, and will soon launch a campaign at fashion shows to encourage models, who currently have no independent representation, to join the organisation.

WHAT'S ON

Coming soon

JANUARY

Through to 20 January.

Eurobo£locks: Britain's relationship with Europe. The Cartoon Museum, 35 Little Russell St, London WC1.

Tues-Sat 10.30 to 5.30, Sun 12 to 5.30

If you're in London after the New Year, take time to pop into the museum for an hour or so to this hilarious exhibition of political cartoons about the European Union. See www.cartoonmuseum.org for details.

NHS

Review dodges PFI questions

THE INTERIM Chief Executive of Bromley Hospitals NHS Trust in South East London, languishing under a PFI contract that guarantees a £972 million payout to the successful consortium over the first 30 years of the contract, has announced an independent review of the trust's finances and governance.

Unison's call for the review to start with the PFI project planning in the late 1990s has been sidestepped; the review will only go back to the period immediately after the signing of the PFI contracts.

The trust's forecast deficit of £9 million in 2007-8 has now become £23 million, and accumulated debt is estimated at £87 million.

NHS

Devolution halts increase

UNIONS IN the NHS Staff Council for England have won an increase in car allowances across all but the top grade by 10 per cent. The price of fuel has long been soaring, and workers don't see why they should further subsidise their employer and suffer yet more deductions by stealth from their wages.

But implementation of the agreement is being delayed by devolution and EU intervention in the NHS. Though the Staff Council has agreed it for England, it won't happen until all four of the so-called devolved administrations of the "nations and countries" within Britain – Northern Ireland, Wales, Scotland and England – agree it.

So in the "nations" outside of England the trade unions have to lodge fresh and separate claims – the "National" in the NHS having disappeared.

A tale of two allotments

Photo: Workers



THERE HAS been a resurgence in the demand for allotments – particularly in urban areas. For many, this interest is fuelled by suspicions about food safety. We shouldn't exaggerate the recent popularity. In the late 1940s, in the wake of the wartime Dig for Victory campaign to combat food shortages, there were 1.4 million allotments – and even in the late 1970s there were still almost 500,000. There are now about 300,000 allotments in Britain.

But this total of 300,000 has remained steady for the past decade – despite the pressure for land to build houses. This is due to allotments becoming fashionable and in demand. In north London, for example, the allotment waiting list in Camden has stretched to 10 years and in parts of Haringey the lists are so long that they've been closed.

Compare Britain with the situation in Cuba. In 1990, when the USSR collapsed, Cuba's supply of oil was stopped overnight and their main sugar market dried up. They were without fuel, plastics, fertilisers or materials. The US embargo meant that people were in serious danger of starving.

The Cubans realised that most food was consumed in the cities and, as they had limited transport, that was where it would have to be produced. The government gave unused city land to anyone who wanted to cultivate it. Development officials encouraged their efforts, and state shops supplied seed and tools. This was Cuba's own Dig for Victory Campaign and it has been hugely successful: city farming now produces 60 per cent of Cuba's vegetables.

"The secret is in the high productivity of small urban units," says Nelso Compagnioni of the Institute for Tropical Agriculture. "Every dollar of produce on a small plot costs 25 cents to produce: as soon as you increase the area you get higher costs – more workers, lower yields, more complex irrigation. And we have no need for transport: customers collect their food on the way home from work."

Cuba's alternative model of agriculture is science-based and small-scale. It is organic from necessity. Now 350,000 people work in vegetable growing in Havana alone – by the people, for the people.

Look out for the BBC's **AROUND THE WORLD IN 80 GARDENS** this January. **GARDENERS' WORLD** presenter Monty Don visited Cuba earlier this year and is bubbling with enthusiasm for Cuba's organiponics.

In September the TUC Congress votes on the Constitution. The generals of the TUC branches clearly want to see it implemented

London's guides point to the future

WHILE THE TUC prepares to abandon any remaining vestige of democracy by reneging on its own massive vote for a referendum on the EU Constitution (on the grounds that some people don't want one!), the list of grass roots union members demanding their say grows by the day.

The latest London branch to speak out is the Association of Professional Tourist Guides, part of Unite. Guides are worried that the unprecedented scale of the transfer of powers to the European Union, including the surrender of the tourism veto, will mean that the campaigning work of Unite to progress the interests of its members will become a meaningless exercise if policy can no longer be decided in Britain. They don't want the European Court of Justice preventing them from regulating and protecting their profession on the grounds that what would be good for Britain is anti-competitive.

Guides have recognised that the Constitution hands irrevocable powers to the EU to implement anti-trade union competition rules under the Single Market, the Services Directive, and other directives which substitute individual contracts for collective agreements. Although working almost entirely within the private sector, guides regard themselves as offering a public service, and are horrified that the unelected Commission sees them only as a commercial enterprise.

No escape from EU law

In practice, with the penetration of EU-driven privatisation into every sector, virtually no one is exempt from the EU's "competition principles", and on 20 November in Brussels the Commission took great satisfaction in ramming this down the throats of gathered trade unions petitioning for protection of public services. This prompted one NGO to declare: "We need something to counterbalance the competition legislation and its philosophy without always waiting for the verdict of the European courts".

The Constitution institutionalises undercutting, at the expense of quality, professional standards, health and safety, and public liability. Right across Europe collective agreements are being torn up by the European Court of Justice. On 11 December came the news that the Finnish ferry operator Viking Line has been given the right to ignore national union agreements, re-flag its vessels to Estonian ports, and recruit Estonian crews on lower pay. Unions have been told that any action against "flags of convenience" will be regarded as restricting the right of "freedom of establishment" (see "EU rules against right to strike", p5).

Tourist guides are also becoming increasingly aware that the EU Constitution would consolidate a pernicious system of competitive regional funding, to the exclusion of needs such as training or marketing at a national level. The recent 18 per cent cut in funding from the Department for Culture, Media and Sport (DCMS) to the national tourist board VisitBritain represents a downgrading of national tourism policy. It makes the regeneration of the British seaside impossible, and the hoped-for opportunities presented by the 2012 Games (an estimated revenue of 2.1 billion pounds) will not be realised.

While total DCMS funding increased by 61 per cent over the last 9 years, that of VisitBritain grew by only 9 per cent. By the time of the

oted overwhelmingly for a referendum on the European
TUC might not like the policy – but a growing list of union
plemented...

the way over the Constitution



While the TUC tries to retreat, London's unionised tourist guides have spoken out to demand a referendum.

Olympics, it is estimated that there will have been a reduction of 45 per cent in real terms. The Tourism Alliance has called this “perverse in the extreme”. It points out that some Caribbean islands have a larger budget than Britain, and that the UK is 26th in the American league table of national tourist board budgets (despite the USA being the most important market). Meanwhile the marketing of flights to European destinations receives every encouragement.

Devolution of tourism funding under EU edict has benefited Scotland, Wales and the English Regional Development Agencies, but there is no requirement for the RDAs to work with VisitBritain on national programmes and initiatives. Nor do cuts in national funding offer any incentive for the regions to work with the national body.

There is nothing wrong with promoting

regional culture, but in practice RDAs have no obligation to use funding directly to promote their regions – or on tourism at all. “In fact we don’t know exactly what they use it for”, says Stephen Dowd, head of the trade body UK Inbound. Tourism funding is wasted by the RDAs, he says – they should be more transparent. The RDAs are so lacking in accountability that their marketing budgets are not known.

The emphasis on EU regionalisation has led to the erosion of government leadership at a national level. A tourism industry, which contributes £85 billion to the British economy and employs 1.4 million workers, is in sharp decline. The difference between what tourists spend here and what we spend abroad has spiralled from £5 billion to £18 billion over the past ten years – equal to 40 per cent of the British balance of payments deficit.

This is the context in which the Unite

tourist guides are calling for their union to honour the TUC vote and demand the promised referendum. Without it, they say, the Constitution will have no democratic legitimacy.

Bring out your badges

Do you have any old labour movement and political badges in odd containers and drawers? Put them to good use and send them to the CPBML – we’ll sell them at labour movement events during the year to raise money for the Party. Please send them to:

Badges
78 Seymour Avenue
London N17 9EB

'As safe as houses'? With the collapse of Northern Rock, the world is a house of cards...

Northern Rock: when the merry-go-round h

NORTHERN ROCK is not an aberration. Take the trouble to understand what is unfolding there and you open a window on the present parlous state of capitalism in Britain and the world. Finance capital has built a house of cards on the "safe as houses" mortgage market.

Once a mutually owned Building Society in which savers provided the funds for the Society to lend to others at affordable rates, while both savers and borrowers had a small say in the running of the Society, it took the path of 'demutualisation' with account holders being offered a couple of thousand pounds to encourage them to vote for this process.

Demutualisation, or becoming a commercial bank, was one of many tools dreamt up by the neo liberal capitalist economists to help capitalism stave off its own demise. There were many other tools with a similar objective, which are worth mentioning, to put the collapse of Northern Rock into the perspective of a much wider decline of capitalism.

There were the privatisations of the 1980s, pioneered under the Thatcher government and of which demutualisation of Building Societies was just one of many. These privatisations had nothing to do with efficiencies, but were intended to provide a dying capitalism with new assets, profits and markets. Remember her flagship domestic policy to sell off council houses, declaring that Britain would become a property owning democracy.

Then there were the strings attached to foreign aid, which demanded that, for example, African and other countries open their economies to western capitalist investment through privatisation of their public services, in particular water.

Then there was the exploitation of the skilled cheap labour force of the former USSR and Eastern Europe, and of course the even cheaper labour of China and India.

These "tools" for capitalism's survival were institutionalised into the European Union after most EU members followed the Thatcher model, and then into the

World Bank and the International Monetary Fund. Another mechanism to keep the profits rolling in was to increase personal debt. This had the three advantages for capitalism of lending workers money to buy goods, of making workers pay high interest to banks, and of forcing workers to become even more insecure because of the now record levels of debt.

One of the latest tools in capitalism's armoury is the sale and resale of debts as a marketable commodity. This is not new, as companies have often sold on bad debts to collection companies who then send round the bailiffs or a bunch of thugs to threaten debtors or repossess their assets.

But this is now happening on a global scale. In the US, we have learnt, banks chose to lend money to poor Americans to buy homes when there was little prospect of them being repaid. These poor are known in capitalist jargon as the sub prime market. The theory is that it doesn't matter if the borrower defaults and is unable to pay as the bank can simply repossess the borrower's house, and because house prices are continuing to rise, this will be an ever increasing asset that can be resold to some other poor borrower ad infinitum.

From loan to commodity

As you can see, these sub prime loans are in themselves very marketable commodities, and so these loans were sold on to other banks around the world who all expect to make huge profits out of them.

Of course, capitalism and its governments must do whatever they can to maintain an ever-increasing price of housing. They do this by restricting the supply of housing and increasing the supply of mortgages. But this is unsustainable because as house prices increase and wage levels are kept down, it becomes impossible for first time buyers to get on the property ladder, denying the banks new buyers. And some greedy workers try to play capitalism's game and buy property to rent, maintaining their



On the rocks: it even looks as if nationalisation

asset while deriving income.

Add to this that the mortgage defaulters are not allowed to buy again and it becomes clear that there is no one who can afford to buy the decreasing number of houses for sale, and the consequence is that the price of houses begins to fall and the value of those sub prime loans being sold around the world begins to drop in value. Given that these loans are regarded as a banks asset, the overall assets of the banks begin to fall. Banks need to borrow money to prop up their assets but at the same time don't want to lend to other banks. Hey Presto!

World that finance capital has built is looking more than ever like

had to stop



(promised to be short-term) might be the eventual outcome.

Crash!! Pure capitalism.

Northern Rock was the first of many banks to be seriously affected by this syndrome and the only one to spark a run on the bank as depositors withdrew their savings. Northern Rock had relied heavily on commercial borrowing to finance its operation but that borrowing was no longer available because of the crisis.

As the depositors continue to withdraw their savings, because they can see what's happening, the Government in the form of the Bank of England substitutes for the borrowers, lending what is expected to rise to £50 billion to

Northern Rock. Where this money comes from is anybody's guess, except that it's our money as workers who have paid taxes.

The government, as the Rock's biggest creditor, then tried to ensure a sale of the company to another bank. As the capitalist sharks began to circle, including Richard Branson and a clutch of offshore hedge funds and private equity vultures, it became clear that Northern Rock, with 'assets' of £100 billion might be sold to Branson for £200 million. Now it seems, even the sharks can't raise sufficient borrowing to fund their bargain buy. And

of course private sector bidders for Northern Rock are offering cash injections that are nowhere close to getting taxpayers' money back.

Meanwhile, other banks are beginning to show signs of going the same way leading to the Bank of England, the EU Central Bank, the US National Reserve and others to offer \$50 billion in loans to save them. But share prices in banks have dropped – in effect saying “that's not enough”. It has fallen to the Lib Dem acting party leader Vince Cable to call for the nationalisation of Northern Rock to protect jobs and savers. However, Gordon Brown is so wedded to capitalism and the private sector that he has refused to contemplate this, as well as saying it would be against EU competition laws.

Nationalisation

Ironically, he will now be forced to nationalise Northern Rock in order to save capitalism from further decline and to try to retrieve some of the money lent to the bank. Irony is an understatement to describe a government having to nationalise something recently privatised, to save capitalism's skin.

Meanwhile, Northern Rock's CEO is getting a £2 million pension and a £800,000 pay-off. Since 2002, Northern Rock's directors have paid themselves £30 million in bonuses. The government has given the firm £30 billion so far, and it is estimated that this will rise to £35 billion by January.

PricewaterhouseCoopers audited Northern Rock's 2006 accounts, for a £1.8 million fee, giving them a clean bill of health (as it did to the Bank of Credit and Commerce International in the 1980s) after it had itself securitised Northern Rock's mortgage loans. How can a firm audit transactions in which it has an interest?

This is one of those moments when it's possible to see the parasitical and border-line criminal workings of the entrails of capitalism. If anyone wanted proof that capitalism is in terminal decline they need look no further. The question is, will we replace it with something better, or will we all go down with it?

Photo: Workers

They say that when America sneezes, Europe catches a cold. In B influenza...

Financial services: not so much an industry



Photo: Workers

Unrestrained greed has fuelled the buy-to-let boom – now it is all going wrong.

WHEN US home owners can't pay their mortgages Northern Rock collapses, and the entire British economy, so reliant upon the so-called financial services "industry", is thrown into jeopardy. (See "Northern Rock: when the merry-go-round had to stop", p8.)

Britain's sub-prime mortgage sector is 8 per cent of the housing market. But it is only a small example of the general overborrowing which underlies Britain's economic malaise. In the last two years, 360,000 households have taken out sub-prime loans, a fifth of all recent mortgages. These are high-risk, because they are either for more than four-and-a-half times the borrower's income, or they are for more than the property's price. In 2006, deposits rose by £70 billion, but the estimated net growth in lending was £90 billion.

In 2008, low introductory short-term fixed-rate deals at 4.5 per cent, taken out by 1.5 million people, will end. To continue their mortgages, they will have to borrow at higher rates, because the cheapest current fixed rate is now 5.4 per cent. So their mortgage costs look set to rise by 20 per cent at least. This will lead to a wave of repossessions.

B&B sell-off

The buy-to-let sector's biggest lender, Bradford & Bingley, has sold off £4.4 billion worth of loan books at below their face value. The sector's third largest lender, Paragon, has drawn up plans for an emergency £280 million rights issue. Its fourth biggest lender is Northern Rock. These problems are making other banks adopt stricter lending criteria, so the buy-to-let market is becoming inaccessible to

all but the wealthiest. The number of buy-to-let loans available has fallen by 40 per cent. In recent years, 60 per cent of City bonuses have gone into property, especially into this buy-to-let sector. Now, unrestrained greed is undoing the whole corrupt business.

The more that CEOs are paid in stock options, the more they want to risk investing in projects with the biggest potential gains, which also have the biggest potential losses. So when Merrill Lynch wrote down \$8.4 billion due to losses on US sub-prime loans, its CEO got a \$131 million payoff; Citigroup, the world's largest bank, wrote down \$11 billion and its CEO got a \$100 million payoff.

The Abu Dhabi Investment Authority has just bailed out Citigroup to the tune of \$7.5 billion, borrowed at the painfully high

Britain, so tied to US and international finance, it's more like

, more a short-cut to debt and dependency

rate of 11 per cent. Citigroup's total losses from bets on sub-prime mortgages and mortgage-backed collateralised debt obligations are at least \$15 billion. Its "off-balance-sheet" financial vehicles, worth more than \$80 billion, are also at risk and may well have to be bailed out or brought into Citigroup's books.

Swiss bank UBS wrote down \$10 billion in December, after writing down £1.8 billion in October, due to risky debt holdings linked to the deteriorating housing market. Now sovereign wealth funds from Singapore and Oman are bailing out UBS, which has to borrow at 9 per cent.

Citigroup has sacked 17,000 workers. UBS is firing 1,500 workers, mostly in London. Bear Stearns plans to take a \$1.2 billion write-down in the fourth quarter and has fired 240 workers. HSBC is taking a \$3.4 billion charge against third-quarter profits. Barclay's announced a write-down of about \$2.9 billion and 870 job losses since the start of the crisis. The bank Morgan Stanley has lost £1.8 billion in the last two months, and has fired 900 workers. Spivs get bonuses, workers get fired.

In 2006's mergers and acquisitions frenzy, \$725 billion was spent on buy-outs, in 2007, possibly \$1.5 trillion. Much of this is down to private equity firms, which get tax relief on the debts they use to fund

'Manufacturing now accounts for just 15 per cent of Britain's Gross Domestic Product, financial services for nearly 30 per cent...'

takeovers. They hold their investments offshore to avoid tax: by December 2006, \$491 billion was held in tax haven Jersey to "illegally avoid tax", according to US think tank Tax Analysis. Partners in private equity firms pay just 18 per cent on their "earnings".

It's a wonderful world

This is the wonderful world of financial services, on which the US and British states rely. Manufacturing now accounts for just 15 per cent of Britain's Gross Domestic Product, financial services for nearly 30 per cent. This exposes us dangerously to the financial markets, yet Brown and Bush recently blocked an attempt to put "financialization" on the G8's agenda. Finance capital rules, while we let it. So our trade deficits are at record levels, as we produce less and less of what we need. Britain's trade gap was a record

£55.8 billion in 2006, £44.6 billion in 2005; the USA's was \$764 billion in 2006. Yet both economies send vast amounts of cash abroad, seeking higher profits elsewhere. Some emerging economies are following this US-British model, sending their earnings abroad rather than investing them at home to increase production.

Household debt in Britain is a record £1.35 trillion (160 per cent of GDP) and public sector debt is rising to a record £40 billion. High interest rates are making it harder for these debts to be paid off. Higher food bills, petrol prices and utility charges (a 15 per cent rise in gas bills is threatened) add to the pain. According to official figures, real incomes, after tax and inflation, are rising more slowly than at any time since 1982.

As David Prosser wrote in the INDEPENDENT on 4 December, "the benefits that privatisation of the energy industry was supposed to deliver have not materialised. Far from a market in which competition forces down prices, household energy bills in this country are among the highest in Europe. A handful of huge companies dominate the market, with power over energy production, supply and distribution concentrated in the same hands. This wasn't how the free market was supposed to operate." But it is exactly how the market operates – competition always turns into monopoly.

BADGE OFFER – Referendum now. No to the EU superstate!

DESPITE ALL THE promises, Labour is trying to take us into a European superstate without giving the people of Britain a chance to say what they think.

The so-called Constitutional Treaty is just the despised Constitution in another form, as even Giscard d'Estaing, author of the first attempt, has admitted. In backtracking on the referendum promise Gordon Brown is trying to wipe out a thousand years of independence and sovereignty using his tame party in Parliament.

The will of the British people has been clearly expressed in opinion poll after opinion poll. Now it is time for a poll of a different kind, a referendum. The TUC is already trying to renege on its September vote for a referendum. Don't let power slide over to Brussels.

FIGHT BACK with a Referendum Now badge (actual size, 25mm), available from Bellman Books, 78 Seymour Avenue, London N17 8EB, price 50p each, or £4 for 10. Please make cheques payable to "WORKERS".



In the topsy-turvy world of imperialist politics, any country resists those who say “doing nothing is not an option” about Iran have

There is an option in dealing with Iran – le



Imam Square, Isfahan, central Iran

WHAT DO WE do about Iran? The question is so often posed, along with the fatuous “doing nothing is not an option”, that it has become almost impossible to suggest that in fact doing nothing is the only sensible plan.

From the American primaries to the UN security council to our own political pygmies it is accepted beyond question that Iran, like Iraq before, is a threat to peace in the region when in fact the peace has been disturbed by the aggressive acts of the US and Britain. Since the fall of the

Shah, Iran has been involved in one war, one of defence, which nobody denies was started by Saddam.

In the past ten years alone the Labour government has been involved in five wars, two of which are ongoing, and reaffirmed its commitment to a Trident replacement, in our capable hands of course simply an innocuous deterrent. The unashamedly interventionist US is armed to the teeth with both nuclear and conventional weapons, but both governments point the finger at others. Like the imperialists of

yesteryear Labour and its neocon counterparts in Washington believe they alone must shoulder the white man’s burden of civilizing and bringing peace by means of war. They really believe that it is their right and duty to sort out benighted Johnny foreigner with his strange customs and religions and introduce the benefits of Walmart and Halliburton.

Nothing could be more likely to entrench the regimes they find so odious and make them more likely to assert their right to self-determination.

sting potential aggression is seen as a threat to peace. But got it completely wrong...

ave it alone



Iran continues to develop its nuclear power programme, begun in 1974 during the reign of the Shah with American blessing. At that time the Stanford Research Institute estimated a requirement of 20,000 MW by 1996. The present programme aims to deliver a mere 7,000 MW by 2025, fifty years after the start of development, hardly a mad rush to war.

Throughout its development Iran, a signatory to the international non-proliferation treaty, has cooperated fully with the International Atomic Energy

Agency and allowed spot checks on its sites. In November 2004 the IAEA reported that it had not found any evidence of concealed weapons development and that all material had been accounted for.

Mohamed ElBaradei, head of the IAEA (the body responsible for ensuring compliance with international agreements on nuclear development) complains that his task of ensuring peaceful use is hampered by calls for action against Iran.

He says, "Imagine what a regime would feel if they hear that force will be used against them, in addition to being called names, in addition to talk about regime change. Even if they were not going to develop nuclear weapons today, this would be a sure recipe for them to go down that route and try to accelerate a programme to develop a nuclear weapon to defend themselves. The nuclear issue is the tip of the iceberg, it masks a lot of grievances, security, competition for power in the middle East, economic issues...There are a lot of other issues that need to be resolved."

At the sharp end

Despite being the man at the sharp end of the issue ElBaradei's words carry little weight in the White House since his persistent failure to come up with evidence of Saddam's nuclear programme on the eve of war. But as a man who visits Iran and talks regularly to the Iranian officials involved his views should be taken very seriously as the question of Iranian nuclear ambitions can only be seen in the context of a Middle Eastern political situation which is the legacy of Bush and Blair.

Before the war Saddam was the self-appointed leader in the region, built up by the USA as public enemy number one and as such automatically popular with Arab nationalist opinion. For all this he was impotent and safely contained by sanctions and military encirclement. His army was broken and his was the only country in the world which could not control its own airspace.

Iran and Iraq had fought themselves to a standstill so there was a balance of power and apart from occasional bouts of

populist anti-Zionist, anti-American posturing there was no clear leading power and very little opportunity for armed religious or nationalist groups to threaten government power.

Now, thanks to the meddling of British and American governments the region is in turmoil and it is clear that when we leave as one day we must a power vacuum will exist which Iran is best placed to fill.

Naturally as a neighbouring state Iran has interests in influencing the political makeup of Iraq and by removing effective government the invasion has presented a golden opportunity. American bellicosity has bolstered the popularity of President Ahmadinejad, who knows that the US and Britain – the two most active imperialist powers – are in no position to mount an invasion, having spent all their political, moral and military capital in Afghanistan and Iraq.

Blair has gone and Bush's days are numbered, leaving the legacy of their disastrous foreign policies. The Iranian government has drawn the lesson from Iraq that the best insurance against invasion is strength and self determination. Tony Blair was right when he said appeasement doesn't work against aggression.

Saddam consistently appeased the warmongers until his country was weak enough to invade with ease. He allowed foreign powers to overfly his own airspace and shoot down his jets at will. Foreign powers controlled his oil exports and how the resultant revenues were spent. On the eve of war he publicly destroyed defensive missiles to which the invasion force objected.

North Korea, another member of the "Axis of Evil", has by contrast been left alone precisely because of the belief that it might have nuclear weapons. In the words of ElBaradei, quoted in the *FINANCIAL TIMES* in February, "You cannot bomb knowledge. If you do [bomb] you put the [Iranians] in high gear for developing a nuclear weapon. We know that if you jolt a country's pride, all the factions, right, left and centre will get together and try to accelerate a programme to develop a nuclear weapon to defend themselves."

In the first of a series of articles to mark the 40th anniversary of looking at the past four decades through the eyes of WORKERS and THE WORKER, we look at the epic 1970s struggle against state control.

The smashing of the Industrial Relations Act



IN 1970 A lead article in our Party newspaper THE WORKER gave an early warning against the coming corporate state. We reproduce the article below. By way of introduction, the Labour Party had started the attack on our trade unions with the Wilson government's "In Place of Strife", a 1969 white paper introduced by employment minister Barbara Castle, which proposed to curb the power of the unions but was never passed into law.

In 1971 the Conservative government led by Edward Heath passed the Industrial Relations Act, facing our unions with a fundamental challenge. Heath set up the National Industrial Relations Court (NIRC) and sought to impose state registration of unions, the power to impose binding procedures, punitive fines and sequestration of union assets.

From the first, the Amalgamated Union of Engineering Workers led the working class's struggle against the act. Its fight stood out as a political battle. At the 1971 TUC, the AUEW put a motion that "instructed" all trade unions not to register under the Act and to "take measures to remove themselves from the provisional register". It was passed by 5,625,000 votes to 4,500,000. But only the AUEW repudiated Heath's Act in practice and refused to acknowledge the Court's existence.

On 26 January 1971, the union's Executive Committee voted for strike action against the act, calling on all members to act. On 4 February 1971, the AUEW National Committee decided by 63

votes to 5 to call for a series of one-day strikes. On 26 February 1971, more than 150,000 trade unionists marched in London against the Act, a demonstration that the government tried to ignore. On 1 March, two million workers struck for the day, on 18 March, three million.

The working class rolled back "In Place of Strife" and the Industrial Relations Act between 1968 and 1974, but those involved knew that the role of the AUEW in its steadfastness, led by Reg Birch at key points, was so important. He cut the tools that others wielded. It was this that broke Heath, not the subsequent forms of action that took place.

On 1 May 1973, the AUEW called a political strike against the wage freeze. In 1974, the incoming Labour government imposed the Social Contract to cut back real wages. In April 1974, the AUEW launched an overtime ban, and in May, strikes. True to type, the Labour government had left the whole apparatus of Heath's Industrial Relations Act in place, including the National Industrial

Relations Act. When union funds were going to be sequestered in 1974, the AUEW declared that being sequestered meant that everybody stopped work.

Thousands of engineers rallied to the defence of the union, with hundreds gathering within an hour to stop police and bailiffs entering the union's head office. Reg Birch addressed the union members there, and warned against having any truck with the Social Contract, saying, "Unions which sign a contract have to police it."

THE WORKER, December 1970, lead article, headlined "Kill the Bill – Smash capitalism!", and subtitled: "Ruling class's Industrial Relations Bill attacks entire working class":

"The present Government's Bill attacking trade unionism, like the previous Government's 'In Place of Strife', proves that the capitalist class is in trouble. Where formerly the capitalists could live with trade unions – even if they found them a thorn in their flesh – now they are



AUEW demonstration in 1973 against the Industrial Relations Act, Tower Hill, London, addressed by Reg Birch.

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demanding state intervention to crush trade unions.

"This represents a major step in the move from bourgeois democracy to the corporate state. It is a step dictated by the weakness of British capitalism, not by its strength.

"But that the ruling class would consider so rash a step is also proof that the trade unions have been failing the working class. They have been content to live with capitalism. They have tried to stand still and have inevitably been pushed back. They have betrayed the Tolpuddle martyrs and all the other workers who have fought and suffered for the realisation of working class strength through organisation.

"Now the truce is over. We in the CPB(ML) welcome the forthcoming struggle. Neither we nor the workers whose party we are have ever feared conflict.

"We will not have Tory legislation or Labour legislation against workers. Nor will we have the TUC General Council acting as a semi-governmental body to deal with such legislation.

"And certainly our Party does not believe that the TUC General Council nor the Labour Party intend to put up a real fight on this issue. Workers will not be fooled by the shadow-boxing of the Shadow Cabinet. Barbara Castle, who is supposed to be leading the Labour resistance, paved the way for the Tory Bill with her own attack on the trade unions. In the Labour policy for industrial relations which she drafted she openly supported state intervention. 'The state,' she said, 'had to act at times to contain the disruptive consequences of the struggle for those not immediately affected.' This is exactly the attitude of Victor Feather [then TUC General Secretary] who at the TUC Conference stated that 'one man's strike was another man's lay-off.'

"We will have no such 'leaders' betraying the struggle before it even begins. We consider a 'token strike' as calling for the most timid response from the working class, showing no confidence in their courage and tenacity."

WHAT'S THE PARTY?

We in the Communist Party of Britain (Marxist-Leninist), and others who want to see a change in the social system we live under, aspire to a society run in such a way as to provide for the needs, and the desires, of working people, not the needs and desires of those who live by the work of others. These latter people we call capitalists and the system they have created we call capitalism. We don't just aspire to change it, we work to achieve that change.

We object to capitalism not because it is unfair and unkind, although it has taken those vices and made virtues out of them. We object because it does not work. It cannot feed everyone, or house them, or provide work for them. We need, and will work to create a system that can.

We object to capitalism not because it is opposed to terrorism; in fact it helped create it. We object because it cannot, or will not, get rid of it. To destroy terrorism you'd have to destroy capitalism, the supporter of the anti-progress forces which lean on terror to survive. We'd have to wait a long time for that.

We object to capitalism not because it says it opposes division in society; it creates both. We object because it has assiduously created immigration to divide workers here, and now wants to take that a dangerous step further, by institutionalising religious difference into division via 'faith' schools (actually a contradiction in terms).

Capitalism may be all the nasty things well-meaning citizens say it is. But that's not why we workers must destroy it. We must destroy it because it cannot provide for our futures, our children's futures. We must build our own future, and stop complaining about the mess created in our name.

Time will pass, and just as certainly, change will come. The only constant thing in life is change. Just as new growth replaces decay in the natural world, this foreign body in our lives, the foreign body we call capitalism, will have to be replaced by the new, by the forces of the future, building for themselves and theirs, and not for the few. We can work together to make the time for that oh-so-overdue change come all the closer, all the quicker.

Step aside, Capital. It's our turn now.

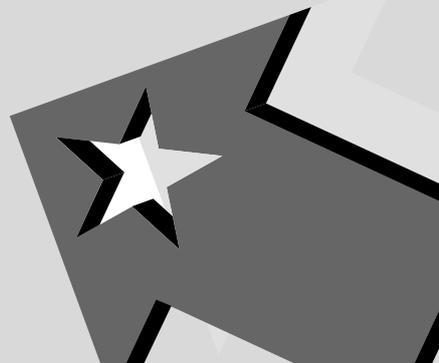
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Back to Front – Paying for the privilege

‘Let every union declare that it will do its own political work, not hand money over to politicos of whatever description to do it for them...’

LABOUR IS NOTHING if not predictable. Under fire for accepting cash from anonymous or expatriate donors, its response is to suggest that political parties should be funded by the state; which is to say, by the taxpayers.

Even Labour – cut off as it seems to be from most of the realities of the Britain it is dismantling, wrecking and handing over to the European Union – realises that the taxpayers will need a fair bit of convincing about this. That won't stop Labour, of course, not when it spots a good way of permanently topping up the trough in which its snouts are so deeply embedded.

But if there is to be a debate about the funding of political parties, so much the better. The unions above all need to think about what they are doing shovelling millions to a party that despises them and acts accordingly.

It's not as if the trade unions are flush with money. Most of them face huge financial problems brought on by falling membership and a seemingly inexorable rise in the number of salaried officials.

So perhaps now would be a good time for all unions donating money to political parties – and all workers paying in to those funds – to think about why they are doing it at all.

The problem goes back to the birth of Labour, created by the unions at the start of the 20th century as a conscious act of surrender: no longer would unions see their role as including politics. Politics, on the contrary, was to be hived off to the Labour Party and to parliament. Unions would concentrate on the so-called economic.

It was the greatest mistake our unions have ever made. Politics and economics are not separate: take out the politics and the economics can't survive on its own.

The politicians know that, which is why they have never given up economics.

Workers, through their unions, sought an easier life, and brought the Labour Party into existence. But they created a monster that has betrayed them cynically and repeatedly ever since.

That after a century of being bitten by the mouth they are feeding, unions still want to give millions to Labour indicates either gross stupidity or, more likely, corruption. Either way, where's the benefit to the working class?

There is a simple solution: let every union declare that it will do its own political work, not hand money over to politicos of whatever description to do it for them. All it would take would be a motion at its policy-making conference saying the union will spend its political fund itself and not give money to any political party.

Not that such a motion would have an easy passage. Another group is also after the members' money: the ultra-left. They want the unions to ditch Labour and enrich them instead.

And while they're waiting for the big payout from political funds (some way off, thankfully) they content themselves with smaller pickings: endless motions designed to bleed local funds dry – support for this conference, sponsorship for x number of delegates to that one, a donation to some bookshop. Sometimes, they don't even bother with motions (after all, too many meetings are inquorate) and get by with "executive action".

The challenge for the working class is to become independent, in thought and deed. Only charlatans will offer to "do something for" workers. If progress is to be won, it can only be won by workers themselves.

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