The struggle vs. capitalist austerity measures
What happened to the French upsurge?
The crisis in Greece
Mid-term elections: bowing to big business
What’s ahead for US postal workers?

The environmental movement & the BP oil spill
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Class trends in the movement

A defense of Marx and Engels on the transformation problem

Also: US Social Forum; racist murder by Seattle police; Trotsky’s failed legacy & more

This is the Nov. 13, 2011 PDF version of CV #45, and it differs from the print version in correcting various errata. (The differences from the original are listed in the errata sheet at the end of the PDF.)
What is Communist Voice?

*Communist Voice* is a theoretical journal which not only exposes the capitalist system, but deals with the tragedy that has befallen the revolutionary movement. It confronts the thorny questions and controversies facing progressive activists today, and holds that the crisis of the working class movement can only be overcome if Marxist theory again enlightens the struggle for the emancipation of the oppressed. The liberating ideas of Marx, Engels and Lenin have been twisted beyond recognition, not only by outright capitalist spokespeople, but also by the false “communist” regimes of China, Cuba and others today, and of the Soviet Union and Eastern Europe of yesterday. *Communist Voice* denounces these distortions (revisions) of the ideas of Marxism-Leninism — whether Stalinism or Trotskyism or reformism — and stands for placing revolutionary theory on a solid basis through the criticism of revisionism and by analyzing the new developments in the basic economic and political structure of the world today. Through this work, the *Communist Voice* seeks to pave the way for communism to once again become the red, fighting banner of the revolutionary working class movement. Only the influence of the real communist theory can help the goal of a classless, communist society again spread among the workers and oppressed here and around the globe. Only the spread of anti-revisionist Marxism can overcome the influence of liberal, reformist and petty-bourgeois nationalist trends and allow the struggle against capitalism to break out in full force.

The revolutionary parties and movements of the working class in the 19th and 20th centuries never achieved their full goals. The working masses fought monarchy, fascism, colonialism, and various capitalist classes, and also made their first attempts to establish a new social system — however these attempts never went beyond the first steps. This class struggle will be renewed in the 21st century, as the masses are faced with how to escape from the escalating misery brought by capitalist development around the world. To hasten the day of the revival of the revolutionary movement, the *CV* opposes the neo-liberal and reformist ideologies that are dominant today. It holds that progressive work today requires more than opposing the ultra-conservatives and more than trying to reform the marketplace. It means helping reorganize the working class movement on a basis independent of the liberals and reformists as well as the conservatives. The *CV* sees its theoretical tasks as helping to clear the way for a future reorganization of the working class into, first and foremost, its own political party, as well as other organizations that truly uphold proletarian class interests.

*Communist Voice* thus continues the Marxist-Leninist and anti-revisionist cause to which its predecessor, the *Workers’ Advocate*, was dedicated. For a quarter of a century, the *Workers’ Advocate* was the paper of a series of activist organizations, the last one being the Marxist-Leninist Party. The demoralization of the revolutionary ranks included the dissolution of the MLP and, along with it, the *Workers’ Advocate*. But the *Communist Voice* continues, in a different form, with fewer resources, and with more emphasis on theoretical work, the struggle of the *Workers’ Advocate* to contribute to the development of a mass communist party.

The *Communist Voice* is published by the *Communist Voice Organization*, which links together members in a few cities. The CVO calls on all activists who want to fight capitalism in all its guises to join with us in opposing all the bankrupt theories and practices of the past — from Western-style capitalism to Stalinist state capitalism, from reformism to anarchism, from reliance on the pro-capitalist trade union bigwigs to “left” communist sectarianism toward “impure” struggles. It is time to lay the basis for the revolutionary communism of the future by revitalizing the communist theory and practice of today. Only when communism spreads among the millions and millions of oppressed can the struggle against capitalism again become a force that shakes the world!

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Communist Voice

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Editor: Joseph Green
The struggle in France and Europe against the pension reform and social cutbacks

The meeting today is on the struggle in France and Europe against austerity. In one country after another in Europe, the governments are demanding cutbacks, and in a number of countries the workers have responded with strikes and demonstrations. The latest upsurge is in France. The government has been putting forward a so-called "pension reform", which means increasing the age of retirement. Actions against it began with a demonstration on June 24. July and August are French vacation months, so not much happened then. But the next big demonstration was September 7. And then, when the reform was taken up by the legislature on October 12, major actions began. By October 19, several million people were in the street.

The actions have included strikes at oil refineries and of workers in transport, garbage collection and other fields. Air and train transport has been affected, with many flights and trains canceled. A shortage of fuel has spread throughout the economy. The strikes took on some other issues as well, such as against the partial privatization of gasoline refineries. It includes teachers strikes at the universities, and massive mobilization of students themselves. It included mass demonstrations about which the press, the unions, and the government argue over how many million people came out. The government proceeded to pass the bill, but the popular opposition keeps growing.

But a funny thing happened in the short period between when I sent out the notice for this meeting on Thursday, and the meeting this Sunday. The French unions, right in the midst of a growing struggle, called it off on Friday. Of course the unions say there will be future sporadic actions, like a day of action on November 6. But the union leadership has broken the momentum of the mass struggle.

The fact is, sporadic actions haven't won demands in France.

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They haven’t in the various mass strikes and demonstrations over the few years. When the workers have won demands was in 1995, for example, when they struck, spearheaded by the railworkers, for 24 days on end until the pension reform of that time was dropped.1

Does this mean that there's no sense discussing the French upsurge any more? Not at all. In my notice for the meeting, I pointed out that the French workers face the same obstacles in their struggle as the workers of other countries. The Greek workers earlier this year staged massive demonstrations throughout Greece against austerity. And there, too, the union leaders called it off, and sat down and told the workers to accept big cuts. And then up to the half the workforce struck against Spanish austerity on September 29, but the unions then went back to supporting the government.

It's important to see why this is happening. Once one sees this, we will realize that the working class may face a lot more setbacks before successfully fighting back against the austerity drive. But this struggle is going to continue, and gradually increase, and be much more profound than one might have imagined. It may well lead to the development of new political trends among the workers, trends that condemn the treachery that has been revealed in the austerity fight.

So I'll deal first with why this treachery occurs, and then come back at the end to the sweep of this struggle in France, and what it shows about where things are headed.

The first issue is to know who is bringing austerity measures to Europe. It's common to picture that Europe is the land of the great welfare state, a reformist paradise where the social-democrats have tamed the capitalists. The struggle in Europe is supposed to be between keeping the social-democrats in power, versus the rightist parties who want to dismantle the social programs.

And it's true that various rightist parties have been involved in austerity. The Conservative Party in the UK wants to carry out massive cutbacks in social programs over the next four years of 20% to 40% across the board, although it is notably doing this in a coalition government with the left-posing Liberal Democrats. And in France, it is the rightist party of Sarkozy which is pushing the pension reform.

But when one looks closer, one sees that all across Europe the social-democratic parties are also pushing austerity. The massive cutbacks in Greece -- in retirement benefits, in wages, in pensions, in everything that goes to the workers -- have been pushed through by the Panhellenic Socialist Movement (PASOK) led by George Papandreou. Earlier this month his government actually put forward a 2011 budget draft that called for cutting the government deficit even faster than demanded by the European neo-liberal institutions.

And in Spain, the cutbacks are being implemented by the Socialist Workers Party of Spain.

Another example comes from Germany. In 2004, there were large demonstrations against the slashing of unemployment benefits under a program called Hartz IV. Let me take a moment to explain this. Hartz IV has nothing to do with "heart"; it's named after a heartless government-appointed commission headed by a man called Peter Hartz. It was supposed to reform labor laws, and it issued a number of reports which were implemented in four parts. The last part was Hartz IV. Up to then, if you had worked for some time, and then were laid-off, you were first eligible for short-term unemployment benefits of 60-67% of your previous pay that might last, if needed, perhaps up to three years, depending on how much previous work time you had. After that, if you were still unemployed, you went on long-term unemployment insurance, which was 53-57% of your previous pay, but was still much better than welfare. Hartz IV cut the short-term insurance for most workers to at most one year. It slashed the long-term compensation to the level of welfare. And it imposed conditions. For example, if you were offered a job anywhere in Germany, you had to take it. Did it have to pay minimum wage? Oops, there's no overall minimum wage law in Germany, and under Hartz IV, many workers ended up being offered 1 euro/hr jobs.2 They had to take it or lose their benefits. Moreover, if the offered job was in another city, you still had to take it. It's sort of like the post office here, where they say they aren't laying you off but you have to pick up and relocate to North Carolina or Pittsburgh or wherever. And just like the post office, they could even send a husband and wife to different cities. There's more about Hartz IV, but the point is this: which party implemented it?

As you might guess from the fact I'm including it in this list, it was the Social-Democratic Party. But since the Social-Democrats didn't have a majority in parliament at that time, they needed help. Now, where else in Germany could you find such a heartless, cynical party as to implement Hartz IV? If you know German politics, you might think they turned to the free-market party, the Free Democrats. But no, while the Free Democrats have nothing against squeezing the workers, they weren't in coalition with the Social-Democrats. Or you might recall the "grand coalitions" between the Social-Democrats and the Christian-Democratic Union. But no, it wasn't the Christian-Democrats either. It was the Green Party of Germany, and it was the so-called red-green government that carried it out (in power for 1998-2002, and then 2002-2005). No doubt the majority of Greens around the world don't like or accept the stands like these taken by the Green Party in power, but they have to look at why this has taken place.

In France, it's the Sarkozy government that is carried out the pension reform. But the Socialist Party holds that a pension reform is necessary, only that it shouldn't be quite like Sarkozy’s.

So all across Europe, it's parties who claim to speak in the name of the working class and to be socialist, who are carrying this out. It isn't simply the fault of a single party or of some individuals. When the Panhellenic Socialist Movement brought

1See Detroit Workers’ Voice, Jan. 1, 1996 for more on the struggle against the extensive cutbacks put forward by then-Prime Minister Alain Juppe. Juppe's pension reform of 19995 was defeated, but various other aspects of the extensive social and welfare cuts proposed by Juppe were put in place as the union leaders called off the struggle part-way -- promising, of course, to hold future actions.

2The discussion went into this further. A Hartz IV worker forced to accept a 1 euro/hr job keeps Hartz IV benefits. Some 1 euro/hr jobs are simply punitive. Others serve as a subsidy to employers, who pretend they are providing job training or satisfying some other condition and are then able to get Hartz IV workers at 1 euro/hr in place of regularly-paid ones.
austerity, the Socialist International didn't expel it. In fact, George Papandreou, the head of the Greek austerity government, is the current president of the Socialist International.

So why are these parties doing this? Is it because the economic situation is so bad that there is no choice? No, it's because they want a place at the bourgeois table, and they accept bourgeois priorities and bourgeois politics and bourgeois economics. Dominique Strauss-Kahn, a major figure in the French socialist party, and a possible presidential candidate for it in the next election, is even the current managing director of the IMF.

The Socialist International, and the Greens as well, stress that they have values, and they claim that their values and choices differ from those of the conservatives. But their participation in the austerity drive shows that their economics are basically the same as the conservatives. Underneath the clash of party rhetoric, there are class realities. And the class reality is that the Socialist parties are on the side of the bourgeoisie in this clash.

The bourgeoisie says, and is echoed by the "socialists", that there has to be pension reform in France because there are so many more pensioners per active worker than before. True, there are more pensioners per active worker than before. In 1983, when the retirement age of 60, and 65 for full benefits, was set, there were 4.4 workers per every retiree. In 2010, there are 3.5 French workers per every retiree. But French productivity per worker has increased so much that this alone wouldn't be a problem. It would only take a productivity increase of 8/10th of a percent a year to be able to handle this decrease in the number of active workers per retiree. In fact, French productivity has increased much faster than this, and faster than the combined amount needed to deal with pensions, wage increases, and worktime decreases all together.3

So the pension reform isn't required by the aging of France. Something else is spurring it. This is the general offensive to squeeze worker's wages, and increase the profit margins of the bourgeoisie. And today, when the economic crisis is breaking, the bourgeoisie is partially using it to squeeze the workers, and partially hoping that squeezing the workers will solve the crisis. This can be seen in the US too. The profits of the banks have been restored, and the large corporations are flush with cash as well, so they think all's well, and just keep squeezing the workers.

In fact, these austerity measures are liable to deepen the crisis, and eventually effect the bourgeoisie as well. But for now the bourgeoisie wants to cling to neo-liberal measures. And what is going on are austerity measures, not forced by physical realities, but by the drive to maintain neo-liberalism. What we have is a class battle between the bourgeoisie, which is insisting on neo-liberalism the more strongly the more it fails, and the working class, whose members want to have something to eat, a home to live in, clothes to wear, and schools to send their children to, to say nothing of a retirement.

But, one may say, all this may be well and good, but what does it have to do with the French unions? The main Greek unions were attached to the ruling party, the Panhellenic Socialist Movement, and similarly in Spain. But the General Confederation of Labor (CGT), which helped call off the French strikes, is attached to the revisionist, supposedly Communist Party of France.

But in Europe, as in the US, the main union leaders are class-collaborationist, just as the social-democratic and revisionist parties are. They want, not to storm the barricades against the bourgeoisie, but to sit down at the same table with them. If these unions fight to the bitter end against the reform, they might win, but the bourgeoisie will be suspicious of its leaders for a long time. So instead, by having the unions fight sporadically, well, the leaders seek to show the bourgeoisie that "we can bring millions into the street, and we can cool them off and take them back home again". That's why they argue so much with the government and the conservatives over how many million people were in the street -- they are seeking to impress the bourgeoisie. If they were seeking to fight the bourgeoisie, they wouldn't care so much about how the bourgeoisie counted their numbers, but mainly about how they were bringing more and more workers and students into action.

So what's going to happen? Is the working class doomed with all these forces against it?

Not at all. We are going to see increasing waves of struggle. There may be ups and downs, but on the whole, each wave will bring further sections of the population into struggle. And eventually this will lead to a major change in the political alignments of today. It will lead to the rise of new political and organizational trends in the working class, trends that will stand for class struggle.

Let's look at what happened in France.

In France, the strikers met with the sympathy of the large majority of the French population. The unions in France comprise only 8% of the workforce, but they are located in a number of strategic areas, such as transport and refineries. However, that alone isn't why strikes are powerful in France. It's because the unions have wide support when they strike on just issues. When they go on strike, they can cause tremendous bottlenecks, and they can maintain this, but only if they have popular support.

In this case, strikes at refineries helped bring slow transport, causing cancellation of large numbers of plane and train trips. Ships waited to unload. People had a hard time getting to work. Yet the result wasn't a loss of support for the strikers, but a gain in support. Polls aren't a very reliable source of information. And the polls we have from France are from pro-bourgeois and even pro-rightist sources, but they show support for the strike increasing as time went on, reaching up to 71%. Meanwhile opposition to the pension reform itself was even higher than that.

Moreover, the strikes spread to the schools. And it wasn't just the teachers, but the students. There were many pictures on youtube or otherwise circulated on the internet of student and youth action. Among other things, the students argued that the pension reform affected them, and that keeping the older workers from retiring would increase unemployment and keep youth for being able to find jobs. Youth closed schools, came out into thee streets, and demonstrations also extended into the banlieues or

3As well, as was pointed out in discussion, the pension reform wouldn't help provide more material resources for the pension system, since it wouldn't increase the amount of work done. By keeping workers from retiring, it would increase the workforce. But given the present depression, this would result in more unemployment and impoverishment, not in more material production.
working-class suburbs, and reached a high level of bitterness. 

Now, there are many trade union federations in France. The CGT unions associated with the revisionist CP of France are supposed to be among the most militant. But this wasn't because of the CP leadership, but despite it. It was noted by observers that the workers in the CGT were, as regard all the union federations, most likely to defy their union leadership.

What does this all this mean? Well, with the stopping of the strike, this mass struggle has been betrayed by the "socialist" and revisionist leadership. This may lead to demoralization at first, but eventually this situation will lead to struggle against the old leadership. In Greece, during the major strikes, some workers threw yogurt at Mr Papagopoulos, head of the GSEE, the General Confederation of Greek Workers, which is the largest federation of private-sector workers in Greece. And it wasn't tea partiers doing this, but militant strikers. True, so far the working class doesn't yet have a clear alternative to the reformist leadership. But sooner or later, reorganization will take place.

In the Great Depression of the 30's in the US, the situation led to a growth of communist influence, and also a major shakeup in the unions, with the large-scale unionization of the mass production industries and the growth of the CIO. The eventual switch of the Communist Party of the USA in the latter-30s to backing the liberal bourgeoisie and the reformist leaders rather than fighting them limited how far the political shift went, but the tremendous upsurge of the 30's gave an impetus to struggle that lasted some time.

The struggle against cutbacks is going to be here for some time. The masses are going to get angrier, and the bourgeoisie is likely to become disoriented as the deficit-cutting policies lead to a deeper and prolonged crisis. For now the bourgeoisie thinks it can make money off the crisis; the financiers are pulling in huge bonuses again; and the largest corporations are swimming in money which they are hoarding. But if the crisis deepens, it will take down more firms and affect the bourgeoisie as well. The days of neo-liberalism are marked. But victory won't come automatically to the working class. Neo-liberalism will pass, but whether it is replaced by something equally oppressive, or whether benefits and freedoms are won by the workers, depends on whether and how fast they learn the lessons of the French, Greek and other upsurges, and build organizations oriented to struggle. This is what the Detroit Workers' Voice seeks to play a role in, and it is the task before progressive activist and class-conscious workers. We can expect more struggle, and we have to help it by encouraging alternative organization that really stands on the side of the working class, so as to end the cycle of struggle followed by betrayal.

Letter
Continued from page 69

group, but I marched with the second (SYRIZA-aligned) group, and fell in with the KOE contingent (Communist Organization of Greece). After the rally was over, I had dinner with them at their headquarters and answered their questions about the left in the USA and exchanged views with them on other subjects. I left them some electronic copies of Communist Voice and Workers' Advocate articles.

The groups in this alliance consider mass action as a tactic, in order to push Parliament to pay attention to some mass demands. In Greece the so-called "socialists" (social-democrats, PASOK) have a parliamentary majority, but they act just as reactionary as the non-"socialist" bourgeois parties. They never raise the question of making the rich pay for the crisis. In the ongoing strikes in Greece, the labor traitors play their standard rotten role. There is a lot of anger among workers at this. The KKE has also been playing a rotten role, invoking nationalism. However, they recently issued a leaflet titled "Workers of Europe Rise Up", which we have not been able to read.

Because of the austerity programs being put forward by a number of Continental governments, I expect that Europe will go through an unprecedented period of upheaval in the near future. The working people there are facing cuts, cuts, cuts, amounting to a dismantling of the traditional welfare state there. In the United Kingdom, many health workers are leaving to go to Australia, in order to get a living wage. The austerity craze is permeating the whole continent, and the Greek working class is setting the tone for the proletariat of the whole continent. Students are unhappy as well. The German universities have become a joke, so there is no incentive to push oneself to get a degree, and they are raising the fees all over the place. This was part of a discussion I had with a young German intellectual while I was in Cologne. So the deal is to get nothing in terms of education, and pay more and more money for it. The German situation reflects a general ferment among students across Europe.

Comradely regards,
Phil

November 1, 2011
Below is the presentation from the Detroit Workers’ Voice Discussion Group meeting of March 10, 2010, edited for publication. Since then, the class-collaborationist union leaderships let the mass protests peter out after several months, so that the government succeeded in imposing massive cutbacks on the workers. But the Greek protests helped inspire other workers in Europe, while the struggle in Greece is bound to flare up again.

The Greek crisis

While the bourgeois economists and news media trumpet every small blip in the Great Recession as evidence that the worst is over, it keeps extending and breaking out in new places. The latest is Greece, where the yearly government deficit has reached 12.7% of the GDP, with a total cumulative debt of over $300 billion euros, or $400 billion. This is a gross violation of European Union financial rules, which limit the deficit to 3% of GDP, and it also brings up the specter of a government default on its debt. So in November last year the Greek government, pushed by the EU, sought to cut the deficit, and as good neo-liberals, they aimed to do this by extreme austerity. This included wage freezes and pay cuts for government workers, a two-year increase in the retirement age, massive cuts in bonuses to civil service workers, an increase in the VAT, or national sales tax, and a 10% cut in spending on social programs, and cuts to services. On February 3rd, the EU executive body, the EU Commission, endorsed this call for the Greek masses to bear the burden of the crisis, and went further and urged additional wage cuts.

Protests sweep the country

But an encouraging feature of the situation is that the Greek masses aren’t taking this lying down. Greek workers and youth have already faced bad conditions for years, and the austerity plan has called forth a continuing rash of strikes and demonstrations. I’ll give a partial listing of these actions.

* December 17 saw strikes and demonstrations in Athens and the port of Piraeus called by Pame, a union federation association with the Greek revisionist party.
* Customs workers and tax collectors went on strike on February 5-6.
* On Wednesday February 10 public sector workers brought government services to a standstill, closed airports, stopped garbage collection, closed schools, and so forth, and there were also demonstrations.
* Again, on Tuesday, February 16, there were walkouts with a demonstration on Wednesday.
* Again, on Wednesday, February 24, there was a public sector walkout, and this one halts public transport.
* March 4 saw a major demonstration in Athens against austerity measures, and included the takeover of the Finance Ministry building. The action was called by ADEY, the public sector umbrella union, and GSEE, the private sector union federation. It’s notable that the anger of the demonstrators spilled out not only against the government, but against the head of the GSEE, a Mr. Papagopoulos, who was pelleted with water and yogurt when he speaks (you can see this on youtube). We’ll come back to this again, and why it took place.

Cutbacks imposed by “socialists”

Until recently, the conservation so-called “New Democratic” government of Prime Minister Karamanlis was in power. Surely, one might think, this must be the source of the problem. And so, just the luck of Greek workers that snap elections held in October threw Karamanlis out and installed George Papandreou in power, with his Panhellenic Socialist Movement, or PASOK, holding a parliamentary majority. Why George Papandreou, the president of the Socialist International and the son of the famous Andreas Papandreou who opposed the former Greek military junta and founded PASOK, will solve the problem.

But no, it is in fact PASOK and Prime Minister Papandreou who have been orchestrating the attacks on the Greek working masses. Just as the election of Obama here in the US didn’t stop the Bush military and economic program, so PASOK is now serving as the instrument for attack on the Greek masses.

Not everything that glitters is gold. PASOK calls itself socialist, but it is a type of “socialism” that squeezes the masses for the benefit of the rich. Oh yes, just as Obama sighs that he didn’t bail out the banks out of love for Wall Street, but because he loved Main Street, so George Papandreou claims to have taken this or that measure to make the rich pay a few more cents. But it’s just sugar-coating on a program that will cut the welfare of workers by 10 or 20 or 30%.

We need, not the word “socialist”, but an actual party that is based on the workers and leads their struggle. This is why there has to be a struggle against parties which claim to support the workers, but actually are tied hand and foot to the corporations and the bourgeoisie.

The two-faced role of the union leadership

Meanwhile the reformist leaders of the main union federations, the ADEY and the GSEE, backed PASOK in the elections. This puts them in a quandary. On one hand, they want to continue to support PASOK, and they support the neo-liberal program of the EU. Stathis Anestis, a spokesman for the GSEE and member of its executive committee, gave an interview in January where he declared that “We can’t escape the fact that we have a very serious problem on our hands” and he said that GSEE was “willing to accept tough measures on the condition that they are just.”

On the other hand, these union bureaucrats want to appear to be on the side of the workers. So, while opposing some actions against PASOK, they participated in others. But their stand was to get the workers to accept cuts and sacrifices. Anestis posed as a militant and said, for example, that workers had already lost 15% of their purchasing power last year before the crisis. But he then said that the GSEE would fight for — only a 4% pay increase for private sector workers to deal with this, and he
hinted that the GSEE will abandon even that, if it was necessary to have workers bear their “fair share” of the crisis.

If you recall, I mentioned earlier that Mr. Papagopoulos, the head of the GSEE, was drenched with water and yogurt when he spoke at the March 4 demonstration. Now you may understand why this took place. It wasn’t some sort of Greek tea partiers that were angry at Papagopoulos; it was the Greek workers who were sick of being sold out to the bourgeoisie by the likes of these bureaucrats.

Mr Papagopoulos is reminiscent of our postal union bureaucrats, who tell the workers to sit on their hands, and who are more scared of embarrassing postal management than they are of betraying the interests of union members. Even if the APWU isn’t doing it in Detroit, the APWU sometimes holds a few pickets, and that’s it. But it’s not enough just to do a few things for show. There needs to be a serious struggle, and that requires that workers develop class-struggle organizations.

It is a positive sign that there is anger at these bureaucrats in Greece. But it will only be when the mass of workers are organized independently of the bourgeoisie and such of its servants as Mr. Papagopoulos, that they will be able to carry out a consistent struggle.

Making money off the crisis

Meanwhile, the bourgeoisie has put its own class organizations into motion. The bankers have played an especially notable role in this crisis. The bankers and financiers foresaw this crisis, and went into action. And to what end? To help the Greek people overcome this crisis? To warn them of the problem? No, they made backdoor deals to make money off of it.

One example of this is good-old Goldman-Sachs. Not content to fleece the American working people, it went into action to fleece the Greeks. In 2001, just after Greece was admitted to the EU, Greece had to obey EU financial rules. Goldman-Sachs made a deal with the Greek government to hide Greek debt from public view, thus apparently obeying EU rules, in exchange for privatization and extravagant payments to financiers. The deal was that the Greek government got cash immediately in return for pledging the landing fees for the next two decades at the country’s airports to Goldman-Sachs through a private entity called Aeolos, and Goldman-Sachs also got a cool $300 million fee for setting this deal up. A previous deal, in 2000, called Ariadne, took care of the money from the Greek national lottery.

These are backroom deals, and as such, they not only are creeping privatization, but they are always on disadvantageous terms to the government. But even the public deals aren’t much better. As the Greek financial crisis began, more and more financiers saw a way to profit. There started to be a bigger and bigger market for credit default swaps, in which financiers bet on whether the Greek government will default. One can supposedly hedge against loss from loaning money to Greece, by buying a credit default swap which pays off big-time if Greece does default. Or you can skip the loan altogether and simply buy a credit default swap to speculate.

So as the crisis escalated, the Greek credit rating went down, the bankers charged more to loan to Greece, and speculation in credit default swaps escalated. The overall result is to increase the likelihood of a deeper crisis. And the more crisis deepens, the more profit there is for the financiers, and the more pressure that they can exert.

But of course the financiers are only operating as a part of the bourgeoisie. Both the Greek bourgeoisie, and the EU bourgeoisie as a whole, are using the crisis to impose more neo-liberal measures on the Greek people. There have been demonstrations and strikes before in Greece, against being squeezed by the bourgeoisie, but the bourgeoisie wants more, and it is using the crisis as an opportunity to put pressure on the people. On the other hand, this is a dangerous game, as the crisis may spread.

Deeper economic problems

Indeed the financial crisis is only the manifestation of deeper economic problems. The Greek economy has been in trouble for a long time. The escalating neo-liberal measures in Europe have had a bad effect on Greece. For one thing, the neo-liberal market measures, combined with competition from the Eastern European revisionist countries turning into low-wage market economies, has resulted in a certain deindustrialization in Greece. The market measures have also meant increasing inequality and pressure on the working masses.

When PASOK first came to power in a major electoral victory in 1981, it instituted a series of reforms. These included the development of a National Health System and other social programs, civil marriage, educational reforms, and so forth. But even then, PASOK backtracked on its overall promises with respect to coordination with the overall European bourgeoisie, both military coordination through NATO and economic coordination. PASOK tried to satisfy both the Greek bourgeoisie and the Greek masses, and ended up in trouble. It let the market evolution of Greece continue, but tried to buy working class acquiescence to this through various social programs.

But, as the EU bourgeoisie became more and more neo-liberal, and the financial crisis in Greece deepened, PASOK has gone over to neo-liberal cutting of the social network which it originally helped put in place. Its rhetoric against the bourgeoisie is hardly more serious than Obama’s occasional fulminations against Wall Street. And its complaints that it is really those hard-nosed Germans who are forcing it to retrench are simply an attempt to divert attention from its own program. For that matter, it is PASOK which carried out the integration with those hard-nosed Germans and EU institutions.

While the bankers are making profits off the crisis, and the bourgeoisie is using it to promote neo-liberal reforms, the crisis also poses a danger for the European economy as a whole. Greece is part of the eurozone, in which all the countries have the same currency, the euro. A major default in Greece would have consequences for other countries. And there are already similar crises brewing in Portugal, Ireland and Spain.

A new major collapse in the EU would make a mockery of the blather that the great recession is lifting. Even without such a collapse, the major cutbacks in Greek, Portugal, Ireland and Spain show exactly what type of economic situation we are moving toward. The fact that it is a social-democratic government in Greece that is imposing these cutbacks shows that there is no such things as a kinder, gentler neo-liberalism. Whether implemented by New Democracy or the Panhellenic Socialist Movement, unemployment and starvation are the same. This also shows that we must look below labels. We need a truly
socialist movement, a movement of the working masses, not a bourgeois party which uses a popular label. And we need labor unions that really fight for the workers, not ones that, provided the union leaders are allowed a place at the table, go along with the bourgeoisie.

For what is happening now is not just an economic crisis, it is also the first signs of a growing political crisis. Economic devastation will eventually give rise to the desire for political realignment. It is when there are parties that truly speak for the working class that there will be the possibility of real change in the economic situation, effective measures to contain mass misery, and a real struggle to end the capitalist rule of insecurity, starvation, and environmental devastation.

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The real choice is building the working class struggle

The mid-term elections: Republicans and Democrats bow down to big business

The following article is based on a presentation by Mark Williams at the Detroit Workers’ Voice Discussion Group, October 3, 2010. Since then, the elections have taken place, and resulted in the Republicans taking over the House of Representatives, while the Democrats retained control of the Senate. But the real result of the elections was seen a week later in the report of the Obama-appointed bipartisan National Commission on Fiscal Responsibility and Reform which recommended cuts in Social Security and various social programs. The elections, and this report, show that both Democrats and Republicans have no idea what to do with the economic crisis, but stomp harder and harder on the masses.

The two big parties are so heartless because they represent the capitalist class, which has no higher goal than to accumulate more and more money. Punishing one of these parties by working for the other leaves their anti-working class agenda in place. Nothing fundamental will change until the workers organize themselves as a class force with a vision of its own.

The mid-term elections are approaching during a period when the working people are being hammered by the Great Recession. The Republicans and Democrats are busy attacking each other as responsible for the hardships faced by the masses. But it’s not the masses’ troubles that concern either party. They are each bound hand and foot to the big corporations and their capitalist free-enterprise system that crashed the economy with the collapse of the big banks and other financial swindlers. The rhetoric from each party is hot air meant to hide the fact that their only real difference is over how best to save the profits of the wealthy.

The working class has every reason to hate the Republicans, who just want to let the capitalists run wild, free to attack the workers at every turn. The Republicans have trotted out the Tea Party movement to pretend they are a party of ordinary folks. The rise of the Tea Party means the most fanatical anti-worker elements are gaining clout in the party, some of whom are calling for ending Social Security, Medicare and minimum-wage laws, and even sending welfare recipients to prison.

Don’t think that that makes the Democrats your friends, however. The Obama administration at every turn makes sure that nothing they do undermines capitalist profiteering. In fact many people who believed that Obama would stand with the masses are now sorely disappointed. If anyone is to blame for Republican election victories, it is the Democrats themselves. Some workers will vote, figuring anything is better than the Republicans. Others will not vote for either party. But whether one votes or not, the workers and progressive activists must use the election as a time to see the true nature of the capitalist parties and to expose them as frauds. It’s time to use our disgust with the capitalist-controlled parties to start building a working class trend. We need to build our own fighting organizations that stand up to the capitalists.

The Republicans’ pledge to America’s capitalists

The Republican national leadership recently summed up their stand in their document A Pledge to America. It’s full of flowery Tea Party rhetoric of allegedly speaking up for the little guy who’s oppressed by big government. For instance, it rails against “an arrogant and out-of-touch government of self-appointed elites”. Of course it’s true that elites use the government against the masses. But who are the elites in this country? What is the tiny section of the population that controls Washington, DC, as well as state and local governments? It’s the capitalists, dominated by a handful of billionaire tycoons, who own the politicians. The capitalists throw their weight behind whichever party they think will serve them best, and the corporate bosses commonly invest in both parties, to ensure that no matter who wins, they win. The government represents a “dollar democracy”, a country club for the rich where the workers and poor are denied entrance. But when the Republicans attack government elites, they avoid mentioning that these elites, Republican and Democratic alike, are doing the bidding of the capitalists.

Indeed, the Republican document should be called a pledge to America’s capitalists. In it, every problem will be solved if only the capitalists are free to do whatever they want. You want jobs? If only the capitalists are free from government interference there will allegedly be jobs galore. They rail that “Excessive federal regulation is a de facto tax on employers and consumers that stifles job creation...” Evidently, the Republicans hope that no one remembers the actual track record of deregulation, which has been a bipartisan policy for the last few decades. What did energy deregulation bring? We were told that energy costs would plummet if only public utilities regulated by
state governments were replaced by a new system where unregulated private energy companies could invade state after state across the country. What was the result? Unheard of cost increases, massive blackouts, and bankrupting the state treasury caused by the unregulated companies intentionally withholding energy production. It brought us the rise of Enron, run by Bush’s buddy, Ken Lay, as the new model for capitalism which soon collapsed when its unregulated financial schemes fell to pieces. What a great jobs creator unregulated capitalism is! And it was decades of deregulation of Wall St. that helped foster the Great Recession and the death of millions of jobs with it.

The Pledge wails about “de facto taxes” on employers caused by regulation. In other words, regulations that protect workers, or consumers, or the environment may cost the capitalists something and reduce their profits. So let’s do away with that and both employers and consumers will benefit. Never mind the death of 29 coal miners in a West Virginia mine explosion in April caused by the Massey coal company’s repeated violations of safety regulations. The subsidiary of Massey running that mine had been cited for 1,100 safety infractions over the last few years, including lack of ventilation for methane and coal dust, which is the most likely cause of the explosion. But the regulatory agencies allowed operations to continue, despite the deadly threat they posed and the long history of Massey failing to correct safety violations.

Never mind that lack of regulations for off-shore drilling and the “free-enterprise” drive for profits led to the BP’s environmental disaster in the Gulf of Mexico, the death of 11 workers, and ruining the economy along the Gulf Coast. Sure, after their deregulation ideas led to another disaster, the Republicans joined in bad-mouthing BP and agreed they should pay for undoing the damage, which largely can’t be undone. But they still rail against regulation, thus ensuring the next disaster. Their document declares “we will require congressional approval of any new federal regulation that has an annual cost to our economy of $100 million or more.” This amount is a drop of water in the ocean of profits raked in each year by the corporations. But it’s more than the Republicans can stand. The Republican establishment felt obliged to criticize BP. But the essence of their policy was blurted out by Rand Paul, a Republican and Tea Party candidate for the US Senate from Kentucky, He chided Obama, who treated BP with kid gloves, for bullying BP. Obama’s response to BP, said Paul, was “un-American in his criticism of business” because “sometimes accidents happen.” Thus, Paul reveals the true Republican attitude that whatever horrors spring from the free market, these are just acceptable accidents.

The other main economic theme raised by the Republicans is to cut taxes. Of course workers would like to see the tax burden on them reduced. But what the Pledge touts is continuing the Bush tax cuts which resulted in giant reductions in taxes for the rich. This supposedly will lead to more business investment, and hence more jobs. But massive job cuts, deindustrialization, attacks on wages, and companies fleeing to low-wage countries continued to grow as the rich got tax breaks. Just because the capitalists had more money didn’t mean they were giving up their inherent drive to profit through squeezing the workers in every way possible. This is simply the tired-old “trickle-down” economics that hides that the profits of the corporations are made by exploiting the workers, not lifting them up.

**Republican pledge to do nothing for health care**

As in everything, the Republican stand on health care is that the present profit-driven system is fine. There’s no mention of how the 40-50 million uninsured will get insurance. There’s not a word on drug company pricefixing which empties the pockets of the working people or makes the forego needed medicines.

The Pledge promises to repeal the Obama plan, despite the fact that it would add millions of new customers to the private insurers that the Republicans love. Indeed, Obama’s plan is similar to onetime presidential candidate Mitt Romney’s plan instituted when he was governor of Massachusetts. Both plans use government funds to subsidize purchases of private insurance. But now the Republicans are running away from Romney-style plans and denouncing Obama for using government funds to insure a wider section of the population. The Republicans now call Obama’s version of a Republican plan a “government takeover” of health care in the Pledge and “socialism” on the campaign trail. It would be nice if private insurance were really replaced with a national health insurance plan that covered everyone. It would be nicer-style if the whole profit-mad medical industry was replaced by socialist medical care. But sadly, Obama protects the health care capitalists.

What the Pledge promises as improving access to health care is a joke. They promise you can buy insurance outside your state by deregulating state laws on insurance. This is the same formula that was advanced for energy deregulation. In practice this will mean that some cheap insurance plans that offer little coverage will be more widely available. (Incidentally, Bill Clinton recently states he favors this policy just for this reason.) The same big insurance giants who dominate now will still be free to jack up their prices and cut their benefits and become even more unaffordable.

The Republicans also promote Health Saving Accounts which aren’t really insurance at all, but essentially just an account to pay out-of-pocket expenses required because your insurance has such high deductibles. The fact that you have to pay out-of-pocket is meant to discourage getting medical care.

Finally, there’s good old tort reform, which hinders patients from suing medical providers. This won’t do anything to provide insurance or lower costs, but will hinder compensation for patients who got shoddy treatment.

**Building up the war machine and police-state**

For all the Republicans’ talk of smaller government, when it comes to building up the war machine or adding to the domestic police-state, the sky’s the limit. The US military machine is a $1 trillion monster. On the pretext that Iran is about to launch missiles at the US, they now want a giant new missile system.

Here in the US, the Republicans are for beefing up the police state. They are especially interested in persecuting poor Mexican workers who cross the border looking for work. So they want border patrols beefed up. And they emphasize they support various racist anti-immigrant laws passed by states and cities. Thus, they implicitly back racial-profiling laws like the Arizona law that allows police to pick up anyone who looks like they might be in the country illegally.

**Obama’s version of free-market economics**

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Given the stand of the Republicans, it might seem that the Democrats deserve support. But they too are fans of free-market economics. So whatever their differences with the Republicans, they sacrifice their promises to the masses so as to safeguard the profits of the corporations. Yes, they toss the masses a few crumbs to give them hope relief is on the way. But real relief never arrives.

Let’s compare the Obama administration’s attitude toward the Wall St. financial sharks and his attitude toward the working masses suffering under the economic collapse. The wild speculation by the big banks and other financial swindlers caused the crisis. Obama responded to them with unlimited aid. Beyond the well-known $700 billion set aside in direct handouts to Wall St., the government has given trillions more in subsidies and guarantees and offered aid to cover future losses by bankers and investors that could reach $23 trillion should there be another major economic crisis. Thanks to Obama’s lavish aid, the bankers are rebounding and CEOs are again dividing up billions in salaries and bonuses among themselves. The profits of the banks are soaring again. In fact, Wall St. profiteering is so high they are even paying back part of the aid given them. But there’s no reason to cheer. No serious regulations to control speculation have been established. So the financiers are operating with the same wild speculation that leads to new speculative bubbles and more economic collapses.

Obama’s auto bailout is another example of rescuing the capitalists. Recall that the Republicans overwhelmingly opposed the bailout, based on their view that the free market should be allowed to destroy workers’ jobs, and even some fellow capitalists, without the government interfering. In contrast, Obama interfered, but not on behalf of the workers, but the auto capitalists. GM and Chrysler got over $50 billion in aid. But far from saving jobs, Obama approved of the auto companies’ plans to eliminate another 21,000 jobs. And as a condition of getting aid, Obama insisted that remaining workers get hammered with huge wage and benefit cuts. At the time, Obama admitted his plan wouldn’t save jobs, saying that even with his bailout, “More jobs will be lost. More plants will close.” But he promised that the next generation would benefit because America will still make things. How inspiring! Present workers should be crushed to ensure America’s capitalists will profit in the future. And the next generation of workers can look forward to wages and benefits near the poverty line, if any jobs remain.

The lavish rescues of the capitalists are accompanied by a few crumbs for the masses. Obama’s “economic stimulus” package offers a bit of help here and there for the downtrodden, but there’s a giant gap between what the workers and poor need, and what Obama is doing. Public services and schools continue to face major cuts. Capitalist job cuts continue at such a pace that no one thinks unemployment rates will significantly drop for years. The mortgage relief program has had little effect in stopping people from losing their homes. Poverty rates are growing. In other words, while Wall St. is rescued, the capitalists continue to run roughshod over the workers and the condition of the workers and poor grows worse.

Free-market environmental policy

Obama claims to be a champion of environmental protection. But his free-market views undermine this. He won’t contemplate serious planning and regulation. Instead, he advocates that global warming will be solved by issuing pollution permits to the capitalists that they can trade with one another, like stocks are bought and sold on the stock market. This system has been tried many times around the world and is a proven failure.

Health care sacrificed for insurance industry profits

The big triumph for Obama has been his health care bill. It’s supposed to deal with the health care crisis. About 50 million people lack health insurance. Those with insurance are on shaky ground as the private insurance companies jack up prices at astounding rates while forcing the insured to pay more out-of-pocket expenses, and as employers dump employee health plans or force the cost onto their employees. And the more private insurers can deny covering medical treatment, the more profits they make.

The private insurers are entirely unnecessary, and a system of government insurance that automatically covers everyone would eliminate these bloodsuckers, such as extending a better form of the present Medicare program to cover the entire population. About seven years ago, Obama himself spoke in favor of that type of system. But that was then. Now he wouldn’t dream of eliminating these parasites. Instead his plan is to make the uninsured buy insurance from the private insurers, providing them with millions of new customers.

But how are people who can’t afford insurance to pay for it? Supposedly government subsidies will help them. But with the private insurance companies still in charge, costs will overwhelm budget allocations. Then, subsidies will be cut and insurance policies will cover less and less with higher deductions and copays. Indeed the whole system may collapse. This is the reality behind Obama’s free-market solution to health care. His plan is so pathetic, that the extension of insurance won’t even begin until 2013. At that time many more people may have insurance, which is better than nothing. But there are projections that 24 million people will still lack insurance by 2019. The millions of illegal immigrants, our semi-slave workforce that deserves coverage, will also be denied coverage.

As the first provisions of the health care bill start to go into effect, the idea that health care problems will be solved by bolstering the private insurers is already being discredited. For instance, the bill prohibits insurance policies for children from denying insurance because of pre-existing conditions. In response, some insurers are saying they will simply no longer offer insurance for children.

The Obama plan was supposed to eliminate insurers’ caps on the money they provide to cover medical expenses. Many big business retailers, like McDonald’s or Home Depot, are among companies that provide so-called “mini-med” plans with severe caps. These plans usually cap medical expenses at a few thousand dollars a year, hardly enough to cover serious illnesses and injuries. The insurance companies that provide such plans say they can’t comply with the new cap law. Their objections are a stark example that the insurance industry’s profit-drive and providing medical coverage are incompatible.

But the Obama plan ignores this and considers profiteering off people’s health sacred. Thus, it turns out Obama’s health plan
allows the issuing of waivers so insurers can keep their present caps. Recently, companies providing insurance to corporate giants like McDonald’s, Denny’s and Jack-in-the-Box were among those recently issued waivers so they won’t have to raise their coverage for at least four years. So the door has been opened to issue waivers to all similar insurance companies. As if that’s not bad enough, the Department of Health and Human Resources is promising “mini-med” insurers the government will also ease the Obama plan’s requirements that that they spend a bit more of their income on covering medical costs rather than overhead and profiteering. So the cheapskate corporations win, the greedy insurers win, and the low-wage workers lose. It turns out that Obama’s “change we can believe in” is largely preserving the status quo!

These and other problems will also tend to discredit the idea of government involvement in health care, playing into the hands of the right-wing defenders of the status quo. It will undermine efforts at organizing for a truly helpful government intervention, like single-payer national health insurance.

**Obama’s anti-immigrant policy**

While the Republicans attack Obama for not cracking down hard enough on illegal immigrants, quite the opposite is true. Yes, the Obama administration disagrees with the blatantly racist Arizona law. But they are unleashing raids on workplaces and are rounding up more immigrant workers than Bush. They are beefing up border patrols to capture immigrants. Officially, Obama stands for combining these police measures with a plan to provide a path to legalization for illegal immigrants inside the US. But nothing is being done to push this forward. Moreover, in reality this policy is similar to that proposed by McCain and backed by Bush, where the legalization process would be so full of obstacles and take so many years to complete, that applying for legalization would be too risky or impossible. So a huge number of immigrants would still be forced to live in the shadows, deprived of basic rights and forced to accept horrible wages and working conditions. The only sure thing Obama has offered immigrant workers is that he will ban them from his health care plan!

**Imperialism, Obama-style**

The Republicans are ardent imperialists who want a giant military machine to enforce US economic and political domination in the world. They poke at Obama as being weak on so-called “national defense”. But it’s quite hard for them. That’s because in reality, Obama is scarcely different than Bush on these matters. He has escalated the war in Afghanistan and spread it into Pakistan. The US occupation of Iraq continues, with 50,000 soldiers plus legions of US-financed forces from private mercenary firms still there and threats of troop escalation if forces the US doesn’t like in Iraq get too strong. Of course, US troops aren’t in these countries to provide freedom, but are defending pro-US reactionaries from rival anti-US reactionaries. For the masses, these wars mean death and destruction, not liberation.

The Bush administration gained notoriety for its use of torture. Recall Abu Ghraib, Guantanamo and waterboarding. But the Obama administration is not taking a back seat to anyone in this regard. Obama is extending the use of “extraordinary rendition” where they round up people they call terrorists, without providing evidence, and take them to secret bases around the world where the CIA and local tyrannical governments torture them. It is using the excuse of protecting state secrets to prevent investigations of torture, current or by the Bush administration. And it’s using the same excuse to prevent investigation of government spying and harassment of progressive activists in the US.

Recently, Obama showed how far he will go to prevent anyone from protesting his imperialist policies. On Sept. 24, the FBI raided the homes of anti-war activists in six cities, confiscating computers and documents. Grand jury investigations are likely to follow. The FBI is supposedly collaring those who support terrorist groups overseas. In that case, they should have targeted the White House, Congress and the Pentagon. In fact, these raids are witch hunts designed to intimidate activists here from opposing US foreign policy and developing solidarity with the victims of US imperialism overseas.

**The workers and the elections**

What then should the workers’ attitude be toward the mid-term elections? The union leaderships, as usual, are trying to whip up enthusiasm for workers to mobilize in support of the Democrats. They plan to contribute about $150 million dollars from workers’ dues to back Democratic candidates. This is not surprising, as our present unions are in the hands of sellouts who collaborate with management. The union leaders admit that rank and file support for Obama is waning and it’s harder to get workers to campaign for the Democrats in the mid-term elections. Even the union leaders themselves express disappointment with the administration. They, and the Democrats themselves, jointly admit things aren’t going as well as promised. So they are both reduced to arguing that things would be even worse if the Republicans take over. The union leadership pretends there is no alternative. That’s because they are terrified of the idea of mobilizing the workers for a real struggle against the capitalists and their political parties. With this outlook, the union leaders are bound to back the Democrats no matter how many times they stab the workers in the back.

The unions and various reformist supporters of the Democrats also raise that if only the Republicans stopped blocking Democratic proposals, they would do great things for the masses. It’s true that to get Republican support, Obama and the congressional Democrats make many concessions to please the Republicans. But these sellouts to the right-wing are the inevitable by-product of Obama’s own convictions. In his election campaign he talked about how important it was to cooperate with the Republicans, as if that was compatible with serving the masses. Moreover, the Obama administration wasn’t forced to devise pro-capitalist policies; those are Obama’s own beliefs. That’s why, for instance, he recruited representatives of Wall St. to oversee his economic policy and why he carries on Bush’s imperialist overseas military adventures and torture.

The workers should use the elections as an impetus to build up their own struggles and fighting organizations. This requires using the elections to tell the truth not only about the Republicans but about the so-called “friends of the workers and oppressed”, the Democrats. Workers and activists should
condemn the union leaderships and the reformist leaders in the various mass movements who want to tone down our demands and actions to what the Democrats find acceptable.

If there’s to be a real fight for relief from the capitalist economic crisis, for health care, for the environment, for immigrant rights, against the imperialist war machine, against racist, anti-women and anti-gay bigotry and other ills springing from our capitalist system, it must be carried out by the working masses, the unemployed, and other oppressed, themselves.

The working class needs to advance its own demands. Instead of the economic relief designed to enrich the capitalists while the masses have to beg for whatever is left over, it must be based on the needs of the workers and poor. Government-run jobs programs, an overhaul of unemployment insurance so that its committed to providing decent income without constant threats to end at any moment, moratoriums on home evictions, and programs creating good housing for those who need it are examples. We need big funding hikes for public schools and extra support for students in poor districts, instead of privatizing education with charter schools and scapegoating teachers as Bush and Obama have done. The gigantic resources that have gone to the financiers and other capitalists should go to the needy, not the greedy.

We should demand national health insurance, not subsidizing the private insurance industry. And further steps to improve health care will demand taking stern measures against the rest of the private medical system, like the big drug companies with their outrageous prices and influence over medical practices.

The environmental problems like global warming must be dealt with not by letting the polluters buy and sell pollution permits to one another, but by regulations that directly cut these emissions of greenhouse gases. Direct bans are needed on other threats to the environment. And a system of overall planning is needed to build an alternative energy system and ensure the livelihoods of workers including the livelihoods of those who would be displaced if pollution-causing companies are replaced.

The war machine should be fought tooth and nail. It is a tool of imperialist conquest, a means by which “our” capitalists can bully the masses and defeat rival reactionary regimes and rival terrorists around the world. Its abolition will only come with a revolution that overthrows capitalism here. Nevertheless, today we must demand an end to the invasions of Iraq and Afghanistan and each measure in support of militarism. Moreover, the war machine costs a trillion dollars.

But our demands on these and other matters will not count unless we build up mass actions and organizations to carry them out. New organizations based on the rank and file workers, not the class-collaborationist union leaders, should be built to fight the employers on workplace matters. Workers should be mobilized into the other mass movements in society. The problems faced by the masses can only be solved by the class struggle moving forward. Building class organizations will be a difficult and protracted process. But the present crises and the bankruptcy of the capitalist parties in dealing with them are creating conditions for the workers looking for alternatives. Let’s use the mid-term elections as a way to build our struggles against the evils coming from capitalism and the political parties that serve the capitalists.
AID to Haiti! Not armed intervention!
(Leaflet of the Seattle Anti-Imperialist Committee, January 25, 2010)

Since this leaflet, the tragedy in Haiti has continued. Yes, a certain amount of immediate aid did eventually get through, despite the obstruction during the early days by the militarization of aid carried out by the US. But news reports showed that the bulk of aid pledged by imperialist countries still hadn’t arrived six months later, while money donated by concerned people around the world often never got to the Haitian masses. Some went to various agencies, who held it up on one pretext or another. Even when aid supplies arrived, they weren’t necessarily distributed. In July CNN posted a video entitled “Food piled high as kids starve nearby”, but it has since taken it off the internet.

Moreover, the Haitian government, installed after the US backed a coup in 2004, opposed having extensive food aid on the pretext that this would destroy the domestic agricultural market. The same American and Haitian neo-liberals who insisted that Haitian rice production should be subject to the competition of US-subsidized rice imports, suddenly became protectionists when it was a matter of food aid from outside being distributed to hungry people.

And now there’s the cholera epidemic that broke out in October. It has already killed over a thousand people, with perhaps 20,000 hospitalized. The disease has now reached the capital Port-au-Prince, where there is the danger it might spread like wildfire. This threat looms because 1.3 million earthquake victims there still live in miserable tent cities. It’s a direct result of the heartless way the Haitian earthquake victims have been treated. It’s the lack of clean water supplies and adequate sanitation that makes cholera a major danger. Thus the miserable imperialist response to the earthquake tragedy, with relief from the major capitalist countries concerned more with forcing yet more neo-liberal economic restructuring on Haiti than helping the Haitian people, threatens yet another major disaster for Haiti.

- Communist Voice

Upon seeing the heart-breaking pictures and reports of the January 12 earthquake in Haiti, there was a great outpouring of support from ordinary people around world. They immediately gave millions of dollars for aid, while doctors, nurses, and many others laid everything aside in order to go to Haiti, where they’ve now heroically worked many days. We are greatly moved by this outpouring of support by ordinary people for the poor of Haiti, and know that it will continue.

 Meanwhile, what needed to be done was clear within hours. Large quantities of medical supplies, water, food, and other essentials needed to be gathered, shipped and disbursed as quickly as possible. As many staffed field hospitals as possible needed to be set up. And all efforts should have been focused on rescuing buried people, and distributing the life-saving necessities that were arriving. But the U.S. government did none of this! With all of its great means, it failed to mobilize them in order to save lives, and repeatedly sabotaged the rescue and relief efforts. The result is that more than a week after the catastrophic quake there are still hundreds of thousands of Haitians in desperate need of water and food, while Partners in Health reports that 20,000 people a day are dying because of lack of access to medical treatment.

Just like Bush’s handling of the Katrina disaster, Obama’s handling of the disaster in Haiti is a disaster in itself, but this time with the human casualties multiplied by many thousands. The combination of an imperialist and racist mindset with defense of capitalist-imperialist material interests has led to refusal to save many thousands of dying people who could have been saved. It’s murder.

**Obama’s phony concern**

President Obama’s miserly pledge of $100 million in U.S. aid immediately showed how little the U.S. ruling class cares about the nine million Haitians. In contrast, they gave $100 billion to AIG. And a total of the profits made by U.S. corporations exploiting sweatshop labor in Haiti, plus the interest collected on U.S. loans would also dwarf this amount.

**Blocking aid deliveries**

The U.S. military took control of the small Port Au-Prince airport, where it has repeatedly turned away planeloads of lifesaving supplies and personnel in favor of evacuating U.S. nationals, or to land hoards of U.S. dignitaries, media teams, troops and military equipment.

Obama himself ordered the former when he blurted out that: “We have no higher priority than the safety of American citizens. . . . And you should know that we will not rest until we account for our fellow Americans in harm’s way.” The French and Canadian governments, however, had the same national-chauvinist priority of evacuating their nationals, and publicly protested. But instead of evacuating foreign nationals, the outbound planes should have been used to ferry thousands of critically injured Haitians to hospitals in the U.S. and other nearby countries. (The foreign nationals could be camped out and given rations.) This was not done, and it’s still not being done.

**Refusing to use airdrops**

Three days after the initial catastrophe, when confronted with demands that life-saving supplies be airdropped, Secretary of Defense Gates ruled them out on the pretext that “An airdrop is simply going to lead to riots as people try and go after that stuff.” But “riots” were a figment of his imagination (days later General Keen commented, “The level of violence we see now is below pre-earthquake levels.”), and if Gates had been truly concerned about people injuring each other desperately getting to supplies then the solution was to spread them from the air quickly and
Refusing to distribute aid

Tons and tons of aid have now been landed despite the U.S. military’s sabotage of deliveries, but after a week most of it remained on the tarmac under armed guard. The UN and U.S. military vehicles running everywhere couldn’t be used to distribute life-saving supplies; oh no, they were too busy with more important matters like “security.” But security against what? For example, for eight days the main Port Au-Prince hospital had been operating with no problems . . . other than a crying need for basic supplies and doctors and nurses. Further, thousands of people had peacefully camped on its grounds waiting for help. But when U.S. troops arrived, the hospital was one of the first institutions that they “secured,” while ordering around Haitians in a foreign language.

Meanwhile, vehicles being used by news teams couldn’t be used for aid distribution because it was so much more important for reporters to frantically drive around looking for nearly mythical “riots” and “looting” to sensationalize.

Bound up with the hysteria about security is racist fear of the poor, which has been turned into a killing fear when UN and U.S. military officers have told medical teams not to go to certain areas, or to leave others areas where they were working.

Demonizing the Haitian people as an excuse for occupation

In the midst of horror, the Haitian people have shown great solidarity in rescuing both loved ones and strangers, and doing everything they can to help one another. And just as the people of New Orleans did in 2005, the Haitian people have patiently waited for promised help to arrive. However, this hasn’t stopped the corporate news media from slandering people who are trying to survive as “looters,” just as was done during the Katrina disaster. How terrible it is that people actually take food and water! Don’t they know that capitalist private property laws must be respected at all costs . . . even if it means death?

But the media has only been operating in lockstep with the U.S. government and military, which from Obama on down has championed enforcement of “order” above all else. Thus, when speaking at the Port Au-Prince airport, Secretary of State Clinton made references to “shooting” and “gangs,” and demanded that the Haitian government decree martial law, which would be enforced by U.S. troops: “The decree would give the government an enormous amount of authority, which in practice they would delegate to us,” she said. Further, there’s been no time limit placed on how long the expected 16,000 U.S. troops to be in or around Haiti are going to be there, nor on the additional UN troops being sent.

Disaster imperialism

Rather than worry over rescuing buried Haitians, within 24 hours of ruin, the conservative Heritage Foundation had posted an article enthusing over the “opportunities to re-shape Haiti’s long dysfunctional government and economy as well as to improve the image of the United States in the region.”

In fact, U.S. business interests have long “shaped” Haiti’s government and economy. They view Haiti as theirs — a low-wage sweatshop for American corporations. Thus, the 1915-34 U.S. military invasion and occupation of Haiti to protect the investments of New York bankers, the U.S. government support for the brutal dictatorships of the Duvaliers that lasted 29 years, and now three U.S. military interventions in Haiti within the past 20 years.

Meanwhile, echoing the Heritage Foundation, liberal “Sweatshop Bill” Clinton was immediately calling for redoubling efforts to implement “the development plans the world was already pursuing.” But in his long-winded comments he failed to mention how Haiti has become so poor to begin with. For example, among other things, for 123 years it was forced to pay huge sums of money to compensate French slave owners for “property” lost when Haitian slaves rebelled and overthrew slavery. It is now strapped by nearly a billion dollars in debt owed to imperialist creditors.

Indeed, for the past few decades the development plans that U.S. business interests support in Haiti are the neo-liberal austerity plans of the IMF and World Bank. For example, in order to get IMF loans, the Haitian government has been forced to do such things as open it’s markets to U.S. agribusiness, which has ruined hundreds of thousands of Haitian farmers. But when the U.S. government has been mad at the Haitian government it has also led efforts to freeze already-approved loans and potential loans for improving education, public health and roads until it got its way. More, it has forced the Haitian government to downsize, with government functions like healthcare, disaster response, and even police being replaced by private contractors.

Now, in the aftermath of the devastating earthquake, the IMF first patted itself on the back for giving new “aid” to Haiti — another loan, and one that demanded freezing wages of government employees, and raising electricity rates. But when faced with an international outcry it retreated, and changed this to a $100 million interest-free loan with no conditions. Nevertheless, like the U.S. government, the IMF hides that it too has Haitian blood on its hands. An earthquake is a natural phenomenon, but the fact that so many people have died from this one has been caused by IMF policies that have forced hundreds of thousands of farmers to migrate to cities, where they have no choice but to erect unsafe dwellings on hillsides . . . while government services essential to save people in a disaster have been pared to the bone.

Dictating Haitian politics

Since January 12, despised President René Prévall has spent most of his time holed up at the U.S.-controlled Port Au-Prince airport, “missing in action.” There have been calls for the return of President Aristide, who was overthrown in a 2004 U.S.-backed military coup. The U.S. government has so far refused this
We need mass action to fight postal management

(The following article is from Detroit Workers’ Voice #93, August 21, 2010, which was distributed at the national APWU convention in Detroit as well as among postal workers at the workplace.)

The APWU convention in Detroit is occurring at a time of upheaval in the post office. Postal clerks are being shifted around, reassigned, relocated, and often enough forced to quit or retire. Postal workers are frustrated and angry, looking for ways to express that and looking for ways to stop postal management’s arbitrary, unproductive and illegal actions. There’s a possibility of workers, fed up with bureaucratic procedures, rebelling against management and the union’s passivity. APWU activists should assist such rebellions, not stand by passively or even try to suppress them.

The APWU will have union elections soon after the convention, and the union is facing a new labor contract in November. This is not your normal contract. Already management is massively cutting jobs and pushing for an end to Saturday mail delivery. For the new contract management will be demanding really steep concessions. We don’t know exactly what they are — wages, benefits, pensions, job security or work rules. But whatever they are, workers need to be warned and need to be mobilized against concessions.

APWU president William Burrus promises, “This will not be a giveback contract.” But the mood among workers, who can see the writing on the wall, is apprehensive. Workers feel, “We’re screwed, and there’s no one to defend us.” The union has shown itself worse than weak the last few years. Workers are sick of filing grievances, then waiting for years, as the union’s response to every management atrocity.

Facing the coming contract, the union leadership has its head in the sand. Candidates of the Leadership Team (the mainstream, established candidates) like to say they will pursue the traditional goals of “better wages, stability, fairness, and a secure future.” Apparently they think this makes us feel good, that everything remains hunky-dory. Their plan for achieving raises is to fiddle around with the postal budget — raising prices on discount mailers, for example. Trouble is, management is not agreeing with this, and most likely an arbitrator will not agree either.

Rank-and-file clerks are being thrown back onto their own resources and their own organization. To confront the present

Conclusion

With perhaps 200,000 people now dead, we join with ordinary people everywhere in crying for Haiti. And behind our tears is also rage at the system that has compounded this immense tragedy. It’s a system whose economics impoverish the masses and prepare conditions for the terrible number of casualties that have occurred in Port Au-Prince and elsewhere. It’s a system that makes no serious preparations for natural or other disasters, and must depend on its killing machine, the military, when they happen. It’s a racist system that slanders the victims of a disaster when they’re black, and coldly refuses to let them enter the United States for life-saving medical treatment. It’s a system whose leaders, like Obama, have just knowingly, and with premeditation left many tens of thousands of people to die while they got on with their business of establishing imperialist control.

The people of Haiti are not going to forget this, aid workers from all over the world aren’t going to forget it, and neither will we. Let us turn our tears, and feelings of helplessness and rage into organizing work aimed at laying the criminal imperialist system in its grave.

Seattle Anti-Imperialist Committee, January 25, 2010
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crisis we need to revive the tradition of mass actions that postal workers used so effectively in the 1970s. We need to give up illusions in the sweet songs of harmony being sung by APWU leaders and face the fact that management is trying to wipe us out.

Back in the 70s rank-and-file activists mobilized workers into militant actions that confronted management despite the impotent union leaders. These actions included wildcats and a national strike. The militants’ victories were huge: the government was forced to recognize postal unions, to bargain with them and to grant significant and continuing wage raises. The union won recognition, but credit for this should not go to the union leaders of the day who opposed militant actions. All credit must go to the rank and file and militant activists who pressed for independent action and organization.

Today we are not in a position to launch large-scale job actions. But we can develop mass actions — pickets, rallies, public meetings, etc. — that generate public sympathy and support. Whatever mass actions develop now will be important, even if they don’t stop the concessions drive in its tracks. Actions today can re-establish a tradition of struggle that will be crucial in the coming years as management continues its attacks.

**State of the union**

During the ongoing recession, and even before, postal management has been slashing tens of thousands of jobs every year. In the last decade this has resulted in the loss of over 170,000 postal jobs. The majority of these were clerk jobs. At the same time, clerks still working have had their jobs combined and their work multiplied. New machines in automation greatly intensify the workload. Many active and retired clerks have given up on the union and quit. The result of job cutbacks and workers’ disgust: APWU membership is down by over one-third in the last ten years. The union is losing about 1,000 members every month and is in deep crisis. As union leaders continue to allow management to run over clerks, this crisis will deepen into a full-blown catastrophe — the end of Saturday mail delivery, outright layoffs and wage cuts. It’ll be up to the rank and file and their initiative for this to be stopped.

Even now management is making a mockery of the no-layoff clause by assigning clerks to other crafts and moving them to other facilities, sometimes far away. Many clerks in Detroit have been told to move to Pittsburgh, Des Moines, or points far north. Maintenance workers have been sent even further, to the southeast and southwest. They are told to either move or quit. These are people with homes, families, and ties to their local areas. The move often destroys family finances (home mortgages) and breaks up the family. No matter — management orders workers to hit the road or quit. Clerks with over 20 years of experience working inside sorting mail are told to get outside and carry mail as letter carriers. If they can’t pass the tests for their new assignment, they’re terminated. If they can’t drive a car, too bad — they’re out. And if they do change crafts, they lose seniority and float in a nebulous state between unions, waiting for possible “retreat rights” to kick in or even reassignment to yet another location. Reportedly, some ex-Detroit workers have even been subjected to racial intimidation in other areas.

Reassignments also affect workers who stay at the same facility. Clerks are told they are excess, their job no longer exists — and then they’re “reassigned” to their old job. Same work, same location; the only difference is that now they have no seniority on that job and are not allowed to bid on it. Workers shifting jobs, forced into assignments they’re not familiar with — all this creates chaos in the workplace, the loss of workers’ security and basic rights, and results in many safety problems. Older workers in unfamiliar, physically demanding jobs such as letter carrier and automation are subject to a variety of injuries. And management already has a plan in place — the “National Reassessment Program” — to deny injured workers their jobs.

**What union leaders say**

The Leadership Team’s presidential candidate, Cliff Guffey (presently executive VP), says (in the July/August issue of The American Postal Worker): “Postal workers are facing our greatest challenges ever. Downsizing has resulted in massive excessing, which is causing unprecedented disruption and hardship for our members. Plant consolidations, the closing of stations and branches, and the elimination of Saturday delivery threaten the existence of the Postal Service.” All true. But what do we do about it? Guffey explains: “. . . the future of our union lies in getting rank-and-file members involved . . . We must mobilize our members to reverse management’s repressive policies . . . organize our members and our customers to exert pressure on our legislators . . . in the halls of Congress and on the streets of America. We will use the media . . . We will enlist the involvement of every member.” Sounds good, no?

Another Leadership Team candidate (Greg Bell, presently director of industrial relations and candidate for executive VP), says: “. . . we can expect management to challenge our no-layoff protection and cost-of-living allowance; to seek greater flexibility on work assignments . . .” But how do we meet this challenge? He says, “. . . the active participation of rank-and-file union members and stewards and officers is key to our strength.”

So both Guffey and Bell pay lip service to the need for rank-and-file activism. But what are they doing to actually implement this?

**What union leaders actually do**

The experience of clerks in Detroit is that APWU leadership actually opposes struggle. When workers at the local membership meeting last March voted to hold a rally right away to protest excessing, relocations and reassignments, the local president spoke against the proposal, voted against it and dissavowed affiliation with it. National Legislative Director Myke Reid got on the phone with local union leaders and told them they would have to honor the membership’s vote and hold a rally, but nothing about jobs or the loss of jobs could be mentioned. At the same time President Burrus was lecturing a national conference of local presidents that they should be doing things to protest the threatened cutoff of Saturday mail delivery, but in this campaign nothing else such as relocation and reassignment could be mentioned.

The result was that local union leaders refused to invite other unions to the rally and dissavowed supporting it. The rally was held anyway on March 31 and was quite successful, with over 100 postal workers enthusiastically denouncing management. But
local union leaders continued their campaign of demobilization, haranguing workers in local meetings about how bad it was to mention jobs, relocation or reassignment in public rallies. This had a bad effect, as these were the issues Detroit clerks were hot about. Following the lead of Burrus and Reid, local leaders lectured workers in membership meetings that “No one cares about your job” and “Labor unions cannot fight on labor issues.” These are big lies, but by repeating them ad nauseam the union leadership was able to instill a mood of apprehension among workers, a conviction that no one in the union structure would support their struggle.

After the March 31 rally, local union leaders finally sponsored several informational pickets. But they still downplayed the issue of jobs, and they did not involve the rank and file in decisions about organizing these actions or deciding what issues would be raised. As a result, fewer rank-and-file postal workers came to these rallies, and they petered out. The official APWU “Talking Points on Five-Day Mail Delivery” distributed at these rallies bent over backward to avoid the issue of jobs, and it even pretended that a reduction to five-day delivery would only have a “minimal” effect on clerk jobs, and said nothing about what would happen to letter carriers and mailhandlers. Meanwhile clerk jobs are being slashed even now, and five-day delivery would be a disaster for all postal workers. It would mean even more job cuts, speedup and relocations.

Workers in Detroit remain interested in mounting struggle against postal management as it undercuts and outright violates the union contract. In the upcoming contract workers will be looking for new, iron-clad rules supporting the no-layoff clause: time and distance limits to relocation, limits on reassignments, seniority rights that transcend craft, the elimination of “stand-by”, protection against new job requirements on jobs workers are forced into, mandatory staffing levels, and prohibitions against plant closings. But how do workers achieve these commonsense limits on management? APWU leaders have opposed even talking about the issues, much less fighting for them. Workers don’t need to be treated like idiots and told to repeat, “We care about service, not jobs.” We know, and the public knows, that these issues are linked, and we care about both. What we need is a fight against management’s attempts to undermine both service and jobs.

The rank and file need to get active

Clerks in Detroit are not the only ones protesting. There have been postal pickets around the country, from California to Pennsylvania, from Florida to Ohio. But though APWU has called a number of pickets and rallies, they have mostly been sporadic and uncoordinated. And the bureaucratic procedures of APWU leaders are directed more at getting their pictures in union publications than in mobilizing the rank and file. Rank-and-file activists need to get busy calling for actions and getting ordinary workers involved, regardless of the attitude of union leaders like Burrus and Reid.

An entire generation has passed since rank-and-file activists launched the struggles of the 1970s. These struggles resulted in government recognition of an industrial union for postal clerks and affiliated trades, ongoing wage gains, COLA and other benefits as well as the no-layoff clause. But these results were not handed to us on a silver platter. It took the time and energy of ordinary postal workers, together with militant activists, to build organization and launch struggles. Today postal management is determined to show us the gains of the 70s can be taken away. To stop them we need to revive the lessons of struggle of those days. The rank and file need to be active, and for that activists need to address issues workers are confronting in their daily work-lives and are angry about. We need to design actions workers can access easily and can influence. We need to encourage workers to help plan rallies and pickets. More lessons will be learned as we go along, but the important thing is to get moving and to get workers involved.

“But what about the auto workers?”, some workers say. Is it possible for postal workers to make a dent in the general onslaught against the working class at a time of high unemployment, when the auto workers and others have been forced to take wage cuts and other concessions?

These considerations show that the situation is serious, but that doesn’t mean impossible. We don’t take a head-in-sand attitude and say everything will be fine, don’t worry. We say things are very serious for workers today, and we need to take action, not only for ourselves but for our friends and relatives who depend on us for support as they languish in the unemployment lines. We cannot afford to lose more post office jobs. And we cannot afford to take wage cuts and other concessions. We need mass actions that will raise slogans such as

Fight job cuts, forced relocation, and overwork!
Keep six-day mail delivery and community post offices!
No givebacks in the contract!
Mass action is the way to fight management!

To help prepare for mass actions, concerned workers should get in contact with each other, and form networks among themselves and with Detroit Workers’ Voice. Write us today!
The BP oil blowout: the dividends of decades of deregulation and neo-liberalism

by Eric Gordon, August 5, 2010

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For months, people the world over watched in horror as the Gulf of Mexico oil disaster unfolded. They watched in distress for the workers killed during the explosion, for the livelihood of the Gulf coast region, for the beaches and delicate estuaries, for the Gulf sea life. People have been rapt as one after another attempt to collect the oil and stem the gusher failed. And they’ve been enraged as more information has come out about BP's (formerly British Petroleum) dismal record of compliance with safety and environmental rules, as well as their arrogance, lies and coverups regarding this disaster. The disaster has also exposed the inadequacy of government safety and environmental protection rules, and the extent to which government is in the back pocket of industry.

BP drilling on the cheap

In the weeks and months before the disaster, BP made numerous critical decisions on the basis that the well was behind schedule and costing BP $750,000 a day – including rent for the Deepwater Horizon rig at $500,000 a day:

● As much as 10 months before the well exploded, company engineers were concerned that BP was using a sub-standard well casing that might collapse under pressure. BP later cited the weak and damaged well casing as the reason for ending the effort to stop the gusher via “top kill”.

● Under pressure, BP released documents showing that they were struggling with loss of well control for several weeks before the explosion.

● The day of the explosion, they chose to replace heavy mud used to control well pressure with lighter sea water. That decision resulted in a heated argument between BP and Transocean officials on the deck of the Deepwater Horizon.

● Saying “Who cares, it’s done”, a BP engineer shrugged off the recommendation to use 21 “centralizers”, critical to prevent a “severe gas flow problem”, instead using only 6. This because they only had six on hand, and it would mean a delay of 10 hours to get and install the remaining 15.

● Compounding this, they elected to use just a single string of well casing, leaving only two seals to keep the oil out of the space between the casing and the wellbore.

● They skipped using a “lockdown sleeve”, an additional seal to prevent blowouts.

● They bypassed a test of the integrity of a cement seal because it would take 12 hours to complete – a decision described by one independent expert as “horribly negligent”.

● They failed to pump slurry, possibly containing explosive gasses, out of the well.

● And they ignored damage to the infamous blowout preventer, a device which, if it had worked, would have shut the well pipe when the mixture of explosive gas and oil blew on April 20th. One significant way it was damaged was that the main gasket sealing the well shut was severely damaged, rendering it useless when the blowout occurred.¹

Each of these (and more) decisions was based on the effort to get the well producing quickly in the drive for profits, repeatedly ignoring worker safety and environmental consequences.

BP's response

Lies about the size of the gusher

Ever since April 20th, BP has done its utmost to obscure how much oil has poured into the Gulf of Mexico – with the collusion of the Obama Administration. For example, both BP and the government stuck to a low-ball estimate of 42,000 gallons (1000 barrels) a day, and then upped it to 210,000 gallons (5000 barrels), holding to these preposterous estimates long after it was obvious that the gusher was many times worse than that. Reflecting broad anger with the lies of BP and the government, one scientist wryly offered: “If it’s beyond their technical capability [to estimate the size], the whole world is ready to help them.”²

BP made its estimates using the size of the surface slick, despite the fact that it was dispersing much of the oil below the surface, keeping the oil from rising to the surface. And in fact, internal BP documents show that BP's actual estimates were that 2.5 million

gallons of oil a day were pouring into the Gulf from the start.\(^3\) (The National Oceanic and Atmospheric Administration’s early worst case estimates were in that same range, even while the Obama Administration was using BP’s 5000 barrel figure.\(^4\))

Initially, BP wouldn’t release any video of the spewing well. When pressed, they released a very brief clip of low-definition video, making an accurate scientific estimate very difficult. However, finally they were pressed into releasing the high-definition video they had been recording all along, allowing scientists to estimate that somewhere between 1.5 and 4.2 million gallons were being released from the top of the well each day. This figure doesn’t include the oil apparently leaking up through the seabed floor.

Accepting BP’s own internal estimates, 217 million gallons were released between the blowout and the closure of the well cap. Taking high-end independent estimates, it’s 365 million gallons. That amount rivals the biggest release of oil ever, when retreating Iraqis deliberately opened their wells during the First Iraq War, which is estimated to have released 250 to 330 million gallons of oil. The official government estimate for the total is just over 200 million gallons, which is likely a lowball estimate. This is the figure that would be used to set fines, but of course it remains to be seen whether BP will be charged the $21 billion this equates to.

**Failed attempts to staunch the flow**

BP tried several methods to staunch the flow – a “top hat” containment dome, a siphon, and “top kill” by injecting cement into the well head. Each of these methods failed in turn. Then they placed a small dome on the well head from which they siphoned a small portion of the gusher. Of the hundred plus million gallons, BP claims that it collected or burned about 50 million gallons – a drop in the bucket, even if the figure can be trusted.

BP has now capped the well and closed the valves on that cap. Prior to starting the test, they stated that the indication that they had successfully closed the well would be that the pressure rose over the next 48 hours would rise to 8–9000 pounds per square inch. Readings of 6000 psi or lower would indicate that the well casing was blown, and oil was escaping into the surrounding rock. After 48 hours, the pressure had only risen to 6700 psi, but BP execs declared that this was a success. The bourgeois news media have emphasized that the “spill-cam” showing oil coming out of the top of the blowout preventer shows no more oil entering the Gulf. However, BP’s remotely operated vehicles surveying the seabed floor around the well show significant plumes of oil spewing around the well. This would indicate that the well casing is indeed blown.\(^5\)

Now, almost four months after the disaster began, BP is sealing the well via “static kill”.\(^6\) This may permanently end the nightmare of oil flowing into the Gulf, though it remains to be seen whether it also stops the oil coming up through the ocean floor. There is some disagreement whether the static kill operation alone is sufficient, or whether static kill plus finishing the relief wells is needed. The relief wells will allow BP to inject cement into the well deep below the ocean floor (this operation is called “bottom kill”). Even before the cap was put in place, oil was leaking up through the ocean floor in many places around the well. If the well integrity has indeed failed, there is some question whether the relief wells are the certain bet they’ve been made out to be.

**Disregard for workers’ safety**

BP has a history of disregard for workers’ safety. The 11 men who were killed when the explosion occurred are only the latest victims of BP’s drive for profits. In two separate disasters at BP refineries, 30 workers were killed and more than 200 were seriously injured. Since 2007, BP received 760 “willful, egregious safety violations” from the Occupational Safety and Health Administration, vastly more than any other oil company.\(^7\) Yet the neo-liberal doctrine meant that BP was allowed to continue to operate, in the face of this appalling record.

Since the April 20th explosion, BP has also showed willful disregard for the well-being of the workers cleaning up the mess. They have hired contractors for the cleanup, companies which treat their workers little better than prisoners. They are housed in tent cities or in “floatels” – stacked shipping containers on a barge – to save expenses. They’re prohibited from speaking to the press, pay is withheld for days, or even never paid. In other cases, they’ve hired actual prison labor, despite the crying need of the coastal residents for work as a result of this disaster.\(^8\)

In an effort to control the television images of this disaster, BP

\(^5\)\((...continued)\)


\(^4\)http://www.rollingstone.com/politics/news/17390/111965

\(^5\)http://blog.alexanderhiggins.com/2010/07/15/integrity-test-pressure-leaks-bp-gulf-oil-spill-sea-floor/

\(^6\)http://www.thenation.com/article/37828/bp-hires-prison-labor-clean-spill-while-coastal-residents-struggle

\(^7\)http://www.thenation.com/article/37828/bp-hires-prison-labor-clean-spill-while-coastal-residents-struggle

\(^8\)http://www.thenation.com/article/37828/bp-hires-prison-labor-clean-spill-while-coastal-residents-struggle


has refused to supply its workers with safety equipment, including gas masks, and workers have reported that they were threatened with firing if they did wear one. When workers became sickened by the oil and dispersant fumes, BP denied it was related to the oil cleanup. Hospitalized workers were stripped and hosed down before they were allowed to enter the hospital for treatment, to prevent the hospital from testing their clothing or skin for contaminants. In early July, Dr. O’Shea, the official doctor for BP’s medical response to the spill, admitted that there have been 1500 workers who have reported sickened or injured (the majority probably due to toxic fumes) and treated by the BP clinics, but the real number who have or will experience ill effects is no doubt much higher. And some unknown number of sickened workers are hospitalized in a BP-controlled facility, where reporters are not allowed access.

Disregard for the environment

The shortcuts BP took to get the well into production have already led to the despoliation of huge parts of the Gulf, and oil has already entered the Loop Current, which flows out of the Gulf and north along the east coast of the U.S. This alone will have a lasting devastating effect on the environment of the Gulf and beyond. Oil slicks and tarballs have soiled extensive beaches and sensitive wetlands from Florida to Texas. Many of the oil-damaged wetlands were already severely compromised by years of destructive flood control on the Mississippi and the cutting of over 10,000 miles of shipping channels, much of it by oil companies operating in the Gulf.

The EPA had also been measuring levels of benzene and other volatile organic compounds in the air in an around New Orleans, and reports that benzene levels are one to three hundred times higher than normal background levels. Benzene is extremely toxic and even short term exposure can cause agonizing death from cancerous lesions years later. Scientists have also been measuring methane levels in the water, finding as much as 100,000 times over normal levels.

BP also sprayed an unprecedented 1.2 million gallons of the dispersant Corexit both on the surface from planes, and underwater at the wellhead. Sprayed from the air, it has been drifting onshore sickening coastal residents and killing crops and wild animals. Sprayed beneath the ocean it has resulted in vast, state-sized plumes of oil and dispersant underwater. These plumes have resulted in vast dead zones following blooms of oil-eating bacteria. It is unknown how these plumes will behave, though some scientists speculate they may remain suspended in the water for 300 years. Corexit is a bio-accumulative neuro-toxin significantly more toxic than oil, and the mixture of oil and Corexit is more toxic than either substance alone. There are also indications that Corexit is far more toxic when exposed to sunlight than in the laboratory conditions under which it is tested.

And no independent analysis of the real side effects of the dispersant is possible, because the formula is a trade secret. It is known that Corexit itself is severely destructive of coastal ecosystems. The EPA initially gave the go-ahead to use it this way, with no understanding of what such use might mean for the environment. As information has come out about the severe toxicity of Corexit, the EPA told BP to stop using Corexit and choose another dispersant and BP simply refused.

And while much of the bourgeois media has tended to claim that the number of birds and fish killed is minimal, there are reports that actually, huge quantities of sea life have died. Vast swaths of the Gulf are now devoid of life. Local residents report seeing huge lines of carcasses – dolphins, whales, fish, birds – dead or dying in the Gulf or washed up on beaches. They also report that these are often quickly spirited away by cleanup crews in unmarked vans, dumped in dumpsters, burned, or even trucked across the border into Mexico. In addition to lessening the public relations impact, covering up the true scale of the devastation to wildlife has another purpose: every animal killed by the disaster could lead to added fines against BP – if they were counted.

The blowout and gusher have been so disastrous in part because BP had no actual plan in place for dealing with a spill of any magnitude but the smallest. This has meant that while millions upon millions of gallons of oil are pouring into the Gulf of Mexico, BP was left with a slow process of trial and error, making up each next step up as the previous one failed. BP exec Doug Suttles admitted as much when he said “The problem is I’ve had to take these steps to learn the things I’ve learned”: the real problem is that the Gulf of Mexico is being destroyed while he “learns”.

And while BP may have the worst record for safety violations, the whole oil industry has a lax approach to oil cleanup planning. As an example, in their oil cleanup plan for this well, BP listed cold-water species such as walruses as one of the species they plan to protect from oil damages. This plan was submitted to the famously corrupt Minerals Management Service, which rubber stamped it to give BP the go-ahead for the well. And it has come out that many other oil companies’ plans included this same goof.

In addition to shipping in cleanup workers just for Obama’s photo ops – a charade which the Administration clearly colluded in – and in addition to prohibiting cleanup workers from using protective gear – so news images don’t remind viewers of the

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10See http://www.youtube.com/watch?v=AlD6tLyXnHA. This 10-minute CNN story is on the long-term effects on the Exxon Valdez cleanup workers. The information on the 1500 workers occurs at 6:40. The remainder of the story is an interview of Dr. O’Shea in which the interviewer feeds him the line that “there are gray areas” in medicine to cover for the doctor’s line that, well, it’s just a mystery why these people are getting sick, we just don’t understand it.


12http://www.youtube.com/watch?v=GHxGVGiD3yk.

toxicity of the mess – there are reports that BP has been trucking in sand to cover up oil on beaches, rather than actually cleaning it up.\(^{18}\) Even if sand isn’t being trucked in, BP is instructing cleanup workers to clean up only the surface oil, and not dig down to buried layers that blanket many beaches.\(^{19}\) With the Coast Guard’s assistance, BP has been blocking reporters from filming the worst oil slicks and beaches. As well, BP has been buying up Gulf scientists, not for their possible expertise in Gulf cleanup, but to prevent them from publicizing any research into the effects of the disaster and to defend BP from lawsuits.\(^{20}\)

Within a few weeks after BP closed the valves on the well cap, BP started to close up its cleanup operations. The press declared that the oil was dissolving faster than anyone expected, and worked to give the impression that the whole incident had been overblown, that people had been hysterical about the significance. Obama declared that the “battle is finally close to coming to an end”. Yet, more oil was released into the environment in this disaster than any other accidental release in the history of the world, and it hasn’t just “disappeared” now. Some has evaporated, resulting in the yellow haze hanging over the Gulf. Some has washed onto beaches, where it remains – cleanup workers have only cleaned the most surface layers of oil. And much of it is dissolved into the ocean, where it continues to kill. Some has sunk to the bottom of the Gulf.\(^{21}\) The unprecedented quantities of dispersant are also continuing to wreak havoc, killing sea life and lending a sickly green hue to the now-dead waters. These effects show that it is nowhere near time to shut down the cleanup operations and go home.

These facts give the lie to BP's green pretense. Their concern for the environment goes no farther than their hollow marketing phrase: “Beyond Petroleum”.

The Obama administration's stance

This disaster is Obama’s Katrina. Like Bush, Obama failed to respond anywhere near adequately to protect the interests of the people harmed by the disaster, or the environment, or to mount an effective response. Instead, he has been focused on protecting BP’s profits, and striking the right “presidential” pose.


\(^{24}\) http://wonkroom.thinkprogress.org/?p=30201.


\(^{26}\) Some reports have put this number at 33, but the commission appointed by Obama accepted the number 21 as the correct number.

\(^{27}\) To get an idea of the scope of drilling in the Gulf, see http://www.cccarto.com/gulf_platforms.html. This page has links to maps which show the active wells in the Gulf coast off Texas and Louisiana.
water drilling enterprises. An appeals court also sided with the oil industry. And the Obama-appointed commission to “investigate” the disaster also demanded that the ban be lifted. But all this represents nothing more than haggling over a tiny portion of the thousands of unregulated wells operating in the Gulf of Mexico.

As well, Obama's Immigration and Customs Enforcement has raided cleanup work sites checking for undocumented immigrants working to clean the beaches. These raids assist BP in exploiting the cleanup workers and keeping them in terrible conditions.

**In response to the disaster, populist pretense...**

Obama announced the creation of a National Commission to investigate the causes of the disaster. Oh great, the Gulf is being destroyed, quick, set up a commission! As if BP's blatant disregard for health, safety and the environment was some kind of mystery. As if the bipartisan neo-liberal religion of deregulation was a mystery. But then, this commission isn't going to look into the real causes.

As popular anger mounted toward both BP and Obama, Obama shifted his talking points, repeating that he is “angry” and talking about “whose ass” he’s going to kick. And when his Administration was criticized for leaving BP in charge, Obama started emphasizing that the Federal government is “in charge”, and that BP is taking orders from the government. However, on the ground the joke is that the Coast Guard should be renamed “BP Guard”.

Obama, top cash recipient from BP during the 2008 campaign, repeated as fact their claims about how soon they will stop the gusher despite BP's repeated lies. He also claimed that BP's failures in stemming the leak were because “there has never been a leak this size at this depth, stopping it has tested the limits of human technology”, when the real problem is that BP took reckless shortcuts and never had a plan in place to deal with a spill of any size, and his Administration never required one.

Then, forty days into the disaster, as world outrage grew, and long after everyone else knew that BP had willfully ignored numerous laws, Attorney General Holder announced that they would be “investigating” whether any laws were violated – but later “clarified” when it was pointed out that his announcement of a criminal investigation caused BP's stock to fall: “For people to conclude that BP is the focus of this investigation might not be correct”. In other words, he's trying to minimize the impact of any criminal charges he's forced to bring on BP's profits.

**...while protecting BP at all costs**

Legally there is no limit to BP's liability to fishers, shrimpers and others in the area if they are found to have acted with criminal negligence, which would be likely if their criminality were prosecuted. So Obama negotiated with BP a $20 billion escrow fund to pay its liabilities. Obama portrayed this as a move to protect those harmed by BP. But his own appointed administrator of the account, Kenneth Feinberg, revealed its true purpose when he said, “Investors in BP should know that there’s now an alternative to the litigation system in place. I think that’s a really helpful sign if you’re an investor”.

Estimates are that a full cleanup and restitution would require all of BP's assets and more, and the families of the workers who were murdered by BP's criminal behavior; the people whose livelihoods have been ruined; the ordinary people who care about the Gulf environment – many of whom have called for BP's assets to be seized – might well disagree that the escrow fund is “a helpful sign”. These are the people who will run into limitations on their claims, red tape and delays in Feinberg's effort to keep BP viable.

Not only in the financial realm, but also in the realm of public relations, the Obama Administration has taken an aggressive stand in support of BP. All along, the Coast Guard and other government entities have taken a big role in preventing reporters from filming oil slicks, oiled beaches, and dead and dying wildlife, and they passed rules barring anyone from coming within 65 feet of any oil boom or cleanup ship without prior permission. Violation of the rule is a felony subject to a fine of $40,000. This blackout made it harder for people to film oil-soaked wildlife and shoreline, or oil-soaked oil booms left in the water and not replaced.

**Establishment environmental groups' response**

Given the devastating effect of this gusher on the environment of the Gulf of Mexico and beyond, one might expect all environmental groups to be on the front lines of criticism of BP's negligence and lax attitude about drilling, and vigorously monitoring the cleanup of the oil. But the disaster has brought out differences within the environmental movement. While some groups have been adamant in their opposition to BP and the government response, the establishment groups have been restrained in their response.

Establishment environmental groups such as the Nature Conservancy, Defenders of Wildlife, Sierra Club, Audubon, and others, are in large part bankrolled by large polluters who want to greenwash themselves. For example, BP has donated $10 million in cash and land contributions to The Nature Conservancy over the years, and $2 million to Conservation International. Shell and Exxon Mobil are also big donors to these groups. Many big environmental groups also maintain “business partnerships” with BP. Several of these groups have executives of the worst-polluting companies sitting on their boards. In the wake of this disaster it has become clear that these dealings were kept from the rank and file membership.

The Nature Conservancy uses the euphemism “working with

http://www.ombwatch.org/node/11068.


http://bpoilnews.com/oil-spill-pictures/oil-spill-pictures-coast-guard-officially-joins-bps-media-blackout/. Thad Allen, placed in charge of the Coast Guard response to the disaster by Obama, claimed that the rule was in response to “local officials” complaining about reporters interfering, but so far the only local officials who have come forward are complaining about the slow pace of the cleanup, not the media interfering.


the energy industry” to describe this compromised position, and argues that anyone who drives a car is a “supporter of the oil industry”, and anyone who objects to environmental groups being in bed with the polluters must also insist that everyone stop driving.34

In direct response to the disaster, these groups suggest limited, individualist activity, such as volunteering, donating money, passing on their articles, supporting their lobbying of bourgeois politicians, writing letters to Obama, and other tame, “respectable” (and ineffective) activities. Beyond that, they suggest individual lifestyle changes such as taking “staycations”, carpooling and combining shopping with commute drives. These groups aren’t oriented toward more effective actions, such as building up a truly mass independent environmental movement to fight for broad policy changes in the funding of mass transit, in real regulatory oversight of oil drilling, and in the building of real green energy sources (not nuclear or “clean” coal).

As one would expect from a group that is in bed with the oil companies, The Nature Conservancy also has a position on reducing carbon emissions that would benefit the oil companies and be ineffective in reducing greenhouse gases.35 Cap and Trade is a complex scheme which would likely give the worst polluters the biggest licenses to pollute, allow polluters to “offset” their emissions with cheap projects which may do little or nothing to alleviate global warming, and allow polluters to offset real pollution with fictional reductions in pollution from future projects. The main thing going for Cap and Trade is that it preserves profits for dirty energy companies like BP.36

Other establishment groups, such as The Sierra Club, argue that the “cap and giveaway” approach in which permits are given away for free to the worst polluters is a problem, but that the plan would be fine if it was a “cap and auction” system.37 They note that the European Union had serious problems implementing an effective cap and trade system, and say the EU is shifting toward “no longer relying so much on market mechanisms to bring about crucial, rapid emissions reductions”, but immediately after saying this, they assert that “A U.S. national cap-and-auction system could be an effective way of reducing our global warming pollution” as long as it is structured in certain ways. Yet, their list of tweaks and pious hopes has nothing to do with addressing the failures of the EU market-based system that they have just admitted to. While cap and auction looks less prostrate before Big Oil on the surface, the main problems with the trade scheme would remain, and the main thrust is still to create a new market in which the polluters would make money.

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35 http://support.nature.org/site/PageServer?pagename=asktheconservationist_200904.

36 http://www.communistvoice.org/44cCopenhagen.html.


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Fight the catastrophe – build a working-class environmental movement!

So, as the Gulf of Mexico has been polluted by hundreds of millions of gallons of oil, BP worked hard to cover their ass, lied repeatedly about the size and effects of this disaster, and spent precious time “learning” how to control a gusher at this depth. Obama spent his time trying to strike the right pose of “anger”, while seeking to mute public outrage, shilling for BP and trying to limit their liability. And of course the Republicans stumble over themselves to prostrate themselves before Big Oil. And finally, the establishment environmental groups are all in bed with BP and the other polluters.

This is in stark contrast to the masses of people whose livelihoods have been indefinitely disrupted by the oil, and those across the country and the world, who want to see the oil cleaned up, and are angered by the unpreparedness of BP and the government to deal with the disaster. They want to see full compensation to those harmed by BP’s willful neglect, and full restoration of the Gulf. How, then, should the masses press their demands? What approach will most benefit the workers and poor in this case?

We need to lay out clear demands:

Already the mass outrage at BP has led to protests, many of them called by independent environmental groups, demanding the seizure of BP assets, criminal prosecution, full compensation of everyone affected, and a full cleanup of all of the oil. These are a good start.

We must also demand that the government take over the well and oil cleanup. The costs should be paid by BP, but organized by the government. The Obama Administration’s insulting claim that BP is the only one with the expertise to handle it has been shown to be utterly false by BP’s willful disregard and repeated blunders and lies. They clearly lack the expertise, and they are scofflaws and criminals. In response to the anger after the Exxon-Valdez wreck, Exxon made a show of cleaning the beaches, paying people to wipe oil off individual stones. But when the news cameras stopped rolling, the cleanup crews were sent home. Now 20 years later there is still toxic residue of that oil soiling the beaches in Prince William Sound. A real cleanup of the BP oil won’t happen unless there is sustained demand from the masses for the cleanup to be complete.

Secondly, there are many in the community with far greater expertise than BP in the environmental effects and the cleanup of oil. The masses should demand that the government assemble an army of independent environmental activists and organizations (those uncompromised by ties to the polluters) concerned with and expert in the field of wetlands and ocean environment, to manage the cleanup. Independent organizations should also be brought into the effort to aid the workers and families harmed by the spill – they’d have an interest in making sure those harmed get fully compensated, unlike Feinberg, the man in charge of administering the $20 billion escrow fund, whose only interest is in saving BP money and reassuring BP investors.

We need to demand an end to offshore drilling. As the BP disaster makes clear that it cannot be done safely. It was just a matter of time before such a disaster occurred. Given the fact of global warming, we need to be focused on ending the use of oil, not
on extracting it from more and more difficult places. While Big Oil has the weight it does, the bourgeois politicians won't challenge its “right” to profit at the expense of everyone, which to them trumps broader environmental concerns. Therefore it is up to the masses to demand such critical changes.

We must also demand an end to the laissez-faire policies of recent decades. We need to demand the reconstruction of the regulatory agencies, with a mission to truly regulate. Inspections are a critical part of regulation. If there had been inspectors whose job it was to root out problems on the wells in the Gulf of Mexico, they would have seen plenty of warning signs that BP was shortcutting safety measures. If these had been caught, the disaster could be prevented. But to be effective such regulation must be overseen by the masses, who aren’t going to jump in bed with industry.

Another important aspect of regulating deep water drilling worth mentioning is the need to open channels for workers to speak freely to inspectors, since it is the workers who are most intimately familiar with the drilling operations. For example, the worker who brought the damaged blowout preventer gasket to the attention of his supervisor and was brushed off, might have been willing to speak to the press if he was certain that he wouldn’t be treated as the criminal. In fact, a survey of workers on the Deepwater Horizon before the explosion showed that many were concerned about safety problems, but felt they couldn’t report issues without facing reprisals. However, the Obama Administration has been more aggressive in prosecuting whistle-blowers than the Bush Administration was.

We need proletarian-oriented environmental organization:

Regulations and policy changes alone, absent an organized fighting working class, would have no chance of being enacted, and even if enacted, would be ignored or overridden on the ground, just as numerous regulations were ignored in this disaster. To be meaningful such regulations would require oversight by the working class, because it is the working class which is in a position to oversee the carrying out of new policy. And for this demand to mean anything, we must organize the working class to carry out such oversight.

Therefore, environmental organizations which are not tied with a thousand strings to the big polluters need to be strengthened, and we need to fight to build up their continued independence from capitalist control and pro-capitalist policies. And within them, we need to build up expressly working-class trends. Such trends could lead the fight to continually denounce the capitalist exploitation that results in the trashing of the environment. They could draw links between capitalist exploitation and trashing of the environment to the exploitation and abuse of the workers. Such an orientation also applies to organizations which can fight for restitution to the workers harmed—and other effects, long and short term, of this disaster.

Even the definition of what constitutes an environmental question needs to be reoriented toward the interests of the workers. Very closely tied to questions of what comes out of various industrial operations into the external environment is the question of the internal workplace environment and the use of toxic substances there.

If it is forced to enact regulations to protect the environment, the ruling class will try to make the workers pay for their impact, in job losses, lower pay, and other ways. Therefore, we also need to build the kind of organizations capable of demanding that the costs for such regulation be placed on the polluting industries, not the masses.

**Certain necessary changes cannot be brought about without economic planning:**

Many environmental regulations of the past were put in place during a period of upsurge in the mass movements of the sixties and seventies. Ever since the wane of those movements, the bourgeoisie has been steadily eroding these regulations, to the point where many of the agencies are empty shells or have been captured by the corporations they were set up to regulate. It will take the resurgence of the mass movements again to effectively demand the creation of new regulatory forces. But these cannot simply be the recreation of the agencies of old. The environmental problems we face today are different from those of the past. And thus, the regulatory mechanisms must be different.

An example: Air and water pollution in the 1970's were brought under some degree of control when the masses demanded and got regulations to control emissions at a few tens of thousands of source points. Today, to address global warming, we need to consider literally hundreds of millions of source points, large and small. Therefore, we need an overall shift to clean energy production, which requires a change in social policy.

The only solutions touted by the ruling class – market measures, such as Cap and Trade or carbon taxes – have shown themselves to be inadequate, and are mainly oriented toward preserving the profits of the polluters, not reducing pollution. They are the brainchild of those who take on faith that the market is the best mechanism for regulating economic activity: the same market that resulted in the Gulf oil disaster. Where they've been implemented, carbon offset schemes have resulted in projects which may meet the letter of the rules for offset, but which may even have a negative effect on global warming. And among other problems, Cap and Trade schemes cannot account for the changes in greenhouse gas production due to economic boom and bust cycles, which are inherently unpredictable. Carbon taxes may or may not deter people from carbon-producing activities, depending on whether there are real alternatives, otherwise people are just forced to pay the higher prices.

Really tackling the question of global warming for example, (as opposed to Obama's market-tested sound bites to “target audiences”) would require economic planning – projecting energy needs into the future, and developing energy sources not based on what can make a profit, but on what society needs. It requires the building of mega-projects, such as solar arrays and geothermal plants. It requires the creation of efficient mass transit to induce people to ride. And global warming is sufficiently pressing that we cannot afford to wait until some mega-capitalist decides that it's profitable. But obviously implementing planning on the kind of scale that is required, and doing it in a way that doesn't cost the

workers and poor, would meet with the adamant resistance of the corporate polluters, who are much more sophisticated and organized to fight environmental regulations with any teeth than they were in the 1970’s.

And we need changes beyond reducing the reliance on fossil fuels and greenhouse gas reduction: changes in areas such as the use and disposal of toxic chemicals in industrial production, and the use of pesticides, petrochemical fertilizers, and antibiotics in food production. None of these changes can be brought about by tweaking the market through taxes or tradable permits. Only the combination of the regulation of industry plus economic planning will be effective in addressing such issues.

The masses of people, the workers and poor, truly have different interests from those of the corporate decision makers, the bourgeois-party politicians, and the leadership of the establishment environmental groups. An effective movement to address this disaster and other, related pressing environmental questions must be based in a growing consciousness of that fact. At root, it is the profit system that is responsible for the despoliation of the world, global warming and its attendant extreme weather patterns, and the threatened collapse of ecosystems. At each step in the fight against these ills, we’ll come head to head against the profit system. And to fight these ills ultimately means to fight the profit-making system itself. Deciding what to produce and how to produce it must ultimately be based on the needs of the people using only the profit system for a compass, inevitably leads to these and other ills.

The alternative is to end the system of production for exchange and profit. Socialized production – production owned by society as a whole, with the product also owned by society as a whole – based on a democratically-decided production plan, is the only thing that will free humankind from the tyranny of the profit system and the evils it brings with it. The fate of the world lies in balance.

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**Not all that glitters is green**

Continued from page 32

**Build a working class environmental movement**

The only force that can provide a consistent counterweight to the corporations, and to the government run by the bourgeoisie, is the working class. But for this to be so, the working class has to provide not just numbers for the environmental movement, but also a working-class standpoint for the movement. The building of such a class-conscious environmental movement would fill out a new category in the chart — groups with no connection to bourgeois philanthropy, but based on the class struggle.

A working-class environmental movement wouldn’t be compromised by ties to the corporations and the bourgeoisie in general. It would be able to fight for serious measures to deal with greenhouse gas emissions and other environmental problems. It wouldn’t be a stepping stone for getting cushy jobs in big business, but a part of a general movement of struggle of the working masses in their own interest.

A radical environmental movement shouldn’t simply be more militant than the establishment groups, but it should fight for a more effective environmental strategy. It shouldn’t fight for the same market measures as the establishment groups, but avoiding their compromises. It shouldn’t, say, fight for a cap and trade bill, albeit one watered down by the many compromises with the corporations which appeared in the last congressional bills. Instead it should put forward a better, truly effective, environmental strategy; it should oppose the futile cap and trade and carbon tax proposals; and it should put forward the need for comprehensive environmental regulation and planning.

Such a movement would see that the bourgeoisie acts not just through the corporations, but through the government as well. It would take seriously the lessons of the corporate capture of government regulatory agencies by the polluters, and would call for regulation to be carried out on a new basis, not only more transparent than before, but also involving the workers in enforcement. Naturally only a small part of this is possible under capitalism, but it is essential that something be accomplished along these lines if environmental regulations are to be enforced in every workplace, and if the government agencies are to have some independence from bourgeois industry.

A serious working-class environmental movement doesn’t mean one organized around the pro-capitalist labor bureaucracy which leads the present-day American union movement, but around rank-and-file workers. It would be good, of course, if unions took a serious interest in environmental matters, but this would require an upsurge of rank-and-file pressure to transform the present situation in the unions. Today’s union bureaucracy, insofar as it considers environmental issues at all, is linked up with bourgeois environmentalism and trying to find common interests with business leaders.

Today there are militant activists that are looking for a real fight against environmental devastation. There are groups that are not compromised by ties to the large corporations. But these groups don’t yet have a class viewpoint towards the differences in the movement. And, as can be seen by the example of Greenpeace, it isn’t sufficient to have militant actions against the polluters in order to be free from corporate seduction. It is necessary to go further and see the class issues involved in the movement.

The chart *Know Who You’re Dealing With* brings out that there are real differences in the movement. It shows that the establishment environmentalists are compromised by ties with the corporate polluters. In doing so, it makes important points that should be spread widely in the movement. A consciously working-class environmental movement can only be brought into existence by keeping such lessons in mind, and maintaining vigilance against the bourgeoisie, which not only runs the corporations, but also stands behind the government agencies and the establishment environmentalist groups.
Obama’s Katrina: the BP oil spill in the Gulf
Down with the market measures that paved the way for this major catastrophe!

(Based on a presentation at the Detroit Workers’ Voice Discussion Group of June 6, 2010.)

* We are entering a period of crises and catastrophes
* The Obama administration as servant of the oil capitalists
* What should be done
* The bankruptcy of the establishment environmental groups in the face of the Gulf oil spill
* The class struggle and the environmental movement

The discussion group this Sunday is on the devastating oil spill in the Gulf, and what it means for the environmental movement. We’ll start with a presentation that will make some points on the significance of this spill, the reaction of the Obama administration and the establishment environmental groups, and what we really have to do to prevent such disasters in the future. And then we will have discussion, and I’m sure that there are a lot of points about the infuriating things that have been happening that everyone is eager to discuss.

On April 20, BP’s Deepwater Horizon oil rig exploded, killing 11 oil workers and injuring 17. It also triggered the worst US oil spill on record, exceeding the Exxon Valdez disaster, with a gigantic amount of oil gushing into the Gulf of Mexico. And this oil, which has already reached Louisiana, has begun to reach shore on Florida. It is set to be a major environmental catastrophe for the Gulf of Mexico, and hence, for the world itself.

* The first point I would like to make about it is that it comes as a sudden emergency. There have, of course, been many oil spills before in the Gulf of Mexico and elsewhere in the world’s oceans. But it’s not a matter that oil spills gradually and predictably get bigger and bigger, from one year to the next. There can be years with relatively minor spills. And then suddenly you will have a major disaster like this, a disaster that strikes “unexpectedly”, and damages not just one locality, but may hurt state after state, different countries, and the entire Gulf region.

We are entering a period of environmental danger and sudden catastrophes. The American bourgeoisie tends to shrug and think that it can just carry out business as usual. Its attitude is that there are always Cassandras, but somehow things muddle along, so just smile and make money. “Some people worry about rising sea levels, or about the Gulf Stream stopping, or other catastrophes. But don’t worry. These people are just scare-mongers, and we can wait until things gradually get worse.” But we are no longer in a situation where things just gradually develop. The stage has been set for major disasters, and they will tend to come rapidly and without time to prepare, unless the preparations are begun already well in advance.

In the case of deepwater drilling, something that shouldn’t have been permitted, no preparations were made. In one interview I heard with a BP spokesperson, they tacitly admitted that there was no backup plan for what to do if the blowout preventer didn’t work. Why of course it would work, was BP’s attitude. Why, three different systems would have to fail for the blowout preventer to fail overall. So why bother with preparations for something going wrong?

So there was no real preparation for the spill, and not just by BP, but by the government as well. There are smaller spills all the time, but we see things like the government taking three weeks to decide if it makes sense to use berms to try to stop oil damage to Louisiana wetlands — will these berms actually do more damage than the spill or help things? That’s like starting to debate the type fire engines to buy only after a fire starts.

So we’re now entering a period of sudden catastrophes, and it’s a fabulous crime of the bourgeoisie that it isn’t prepared for anything. For example, if the Greenland glaciers completely collapse, it won’t be a matter of a gradual rise in sea levels becoming serious only over decades, but of the relatively rapid submergence of vast populated areas. But hey, just as blowout preventers never fail — except when they do — catastrophes never take place — except when they do.

* This brings us to the next point, the response of the Obama administration. It has been so slow and inept that this really is Obama’s Katrina. As I mentioned, not just BP, but the Obama administration had no plans to deal with this. The Obama administration’s plan is to let the oil corporations handle things, and the corporations hadn’t planned to do anything. Obama thinks he’s doing something when he demands that BP take charge.

In the case of Bush’s reaction to hurricane Katrina, part of the issue was the lack of concern for the many poor people who were getting devastated, and the racism against poor and working class black people in particular. In Obama’s Katrina, the issue is posed entirely as the issue of reliance on the private sector, and the complete hallowing out of the government. The Obama administration had little it could do because it had no preparations to do anything but rely on the private sector, and there hadn’t been the research nor the government apparatus built to allow things to swing into action.

The government’s Minerals Management Service is supposed, among other things, to supervise the extraction of oil and gas. But it isn’t just a creature of the bourgeoisie as a whole, as capitalist government agencies are, but it has been captured by the big energy capitalists. It is a rubberstamp for the crimes of the big energy companies.

Things reached the level, prior to the explosion on April 20, that the Minerals Management Service and other government agencies would give exceptions and exemptions to those oil rigs that were the most dangerous. There would be safety regulations, but when BP or other oil companies wanted to drill in deeper waters or in other circumstances that were exceptionally dangerous, so that safety precautions would be most needed, the government would just grant them a waiver. They should have
been shut down, but instead they were granted whatever exemptions they wanted. (*U.S. Said to Allow Drilling Without Needed Permits*, New York Times, May 13, 1010.)

Well, Obama inherited the present form of the MMS from Bush. But it’s been well over a year, and Obama had just continued business as usual at the MMS. So it’s clear that Obama himself has been a creature of the energy companies, and the Gulf disaster comes right after he promoted, in the words of the New York Times for March 30, “to open vast expanses of water along the Atlantic coastline, the eastern Gulf of Mexico and the north coast of Alaska to oil and natural gas drilling, much of it for the first time”. The Gulf disaster, and his response afterwards, shows that the idea is to let the energy companies do what they like. There was to be no real supervision or regulation. Just rely on them. BP is even given authority over the cleanup, so the various localities have to ask BP for permission to take a step. This also shows the nature of the Obama administration, like the Bush administration before, as an agent of the corporations, facilitators of any rape of the country that the big corporations want to do.

Obama is, however, sensitive to public relations. When things get too hot, he berates BP and says it will pay for damages. But no matter how much BP really ends up giving, it won’t make up for the tremendous damage to the Gulf of Mexico, the devastation of the environment and the economic ruin of large numbers of people, nor will it make up for the government marking time in developing alternatives to fossil fuels. Nor will it even result in preparations for future disaster. The problem is that the private sector can do what it wants, and government regulation is a joke, and the ruling bourgeoisie is utterly bankrupt in the face of the real needs of the present time.

*So what should be done?* For one thing, we need an end to this neo-liberal reliance on the private sector and market measures. Instead there has to be serious regulation and planning with respect to energy. There have to be serious safety regulations, actual inspections, and the direction of production. The most dangerous forms of production should be ended immediately, not extended, while energy production as a whole should be subject to a plan to cut down fossil fuel emissions as fast as feasible. Energy production and distribution has become something of concern to everyone in this country, and around the globe. It cannot be left to whatever profits a corporation most.

There must be a massive program for developing alternative energy and for drastically cutting down the use of fossil fuels. Today the government backing for alternative energy remains quite small and token, except for the disastrous and mistaken corn ethanol. And not just the mindless conservative fanatics but the Obama administration too is in a real push to “drill, baby, drill”. The Obama administration has its famous White House organic garden, but it is still pushing oil, supposed “clean” coal, and nuclear energy. And its proposed energy bill was a toothless wonder relying on market measures. All this makes a mockery of the claims by the Obama administration to be concerned about alternative energy and solutions for the threat of global warming.

But it’s not sufficient to say that we should support alternative energy. Alternative energy itself has to be under proper regulation and overall planning. Alternative energy, if left to the private sector, can be carried out in a disastrous manner, and various projects can even make things worse. We’ve seen this with corn ethanol, the vast expansion of which was done under the rubric of alternative energy but actually makes things worse. A hallowed-out, neo-liberal government will make a mess of alternative energy, as it does now of oil and gas and coal and nuclear.

Nor is it sufficient to look toward government regulation of the old type. Serious regulation and planning with regard to energy will require some serious overall economic planning. It will require an end to neo-liberalism and its reliance on the private sector. And we will need an end to subsidies to the private sector being described as an alternative to neo-liberalism. Instead, it is going to require that the working masses strive to have an influence on this planning: otherwise the government agencies will continue to be creatures of the industries they supposedly regulate. All this can, at best, only be partially achieved under capitalism, but unless sometime is achieved along this line, the talk of “green” measures will be a joke.

*This brings us to what the establishment environmental groups have been doing.* You would think that serious environmental groups would be condemning the big oil and energy companies, condemning the government’s subordination to the oil companies and its lackadaisical response to the oil spill, pushing hard to ban offshore drilling and in general for serious regulation and control of energy, and calling for the development of a powerful movement in opposition to the big corporations and the politicians that shield them.

But there are differences within the environmental movement. And we see that the establishment environmental groups have been embarrassed by the spill, because, you see, they are in the process of being captured by the energy companies too. All in the name of working together to save the environment, of course. So their response to the oil spill has to be constrained to what preserves that alliance.

Take the Nature Conservancy, the largest American nonprofit environmental group as far as assets and revenues. Since the Gulf spill, many supporters of the Nature Conservancy have written angry denunciations of BP, only to find that the Nature Conservancy itself had taken money from BP. So not surprisingly, while the Nature Conservancy allows its members and supporters to sound off against BP, it downplays the issue in its overall program. Its website features feel-good stories about successful conservation here and there, and as of today, you would hardly know the oil spill is a major issue. It does suggest, on a side-page, that you can do three things to help the Gulf Coast: Share Stores, Make a Donation, and Be a Volunteer. But there is nothing about condemning the oil companies, condemning government agencies captured by the oil companies, opposing reliance on the private sector, and fighting for serious regulation and planning.

So this is establishment environmentalism in action. The Nature Conservancy website blathered on about World Oceans Day, June 10, and “how we are all connected to oceans” — without a single word in this feel-good effort with regard about the oil spill, nothing about the special way in which BP and the oil companies are connected to the oceans and are poisoning them.

And it’s not just the Nature Conservancy. According to an article in The Washington Post:

> “Until recently, the Conservancy and other environmental groups worked alongside BP in a

Many more examples could be given. Thus “Conservation International has accepted $2 million in donations from BP over the years and partnered with the company on a number of projects, including one examining oil-extraction methods. From 2000 to 2006, John Browne, who was then BP’s chief executive, sat on the nonprofit’s board.” (Ibid.)

Indeed, it’s been a major debate inside the establishment environment groups how close they should be to the major corporations ravaging the environment. The Environmental Defense Fund says it won’t accept corporate funds. Nevertheless, it “joined with BP, Shell International and other major corporations to form the Partnership for Climate Action, which promotes ‘market-based mechanisms’ to reduce greenhouse gas emissions.” (Ibid.) The EDF does report on the oil disaster, but it doesn’t condemn the corporate mechanisms that have led to this disaster, and doesn’t show much anger at BP.

Thus the establishment activist groups have the problem of their own connections to the oil industry, which parallel those of the Obama administration. The solutions they suggest are market solutions, and they are careful to tailor their proposals to what the capitalists — indeed the oil and energy capitalists, the ones most responsible for oil spills and similar crimes — will accept. They don’t seek to generate public hatred for what these corporations are doing, but accept becoming a public relations cover for the corporations. And instead of fighting regulatory capture, they join with the corporations in common efforts to influence the government.

* So it turns out that the class struggle comes up within the environmental movement. The groups that are linked to the corporations are paralyzed in a serious response to the Gulf disaster, and are leading the environmental movement into a dead end. It’s necessary to build a trend in the environmental movement that will fight for serious measures to save the environment, and oppose the corporations and the market measures that allow them to continue destroying the environment under a “green cover”.

If, for example, there is to be a serious fight against the capture of the government agencies by the energy industries, it must be based on a social force that has a class interest in doing this. That social force can only be the working class and the oppressed masses. It’s only the working class which has the interest in radically dismantling neo-liberalism, in instituting overall economic planning and energy planning, and in nationalizing large corporations if that’s what they needed. It’s only the working class which would have in interest in overthrowing the bourgeoisie altogether when it becomes clear to them that bourgeois rule itself is an obstacle to needed environmental reforms as well as to ensuring the livelihood and economic well-being to the masses.

So it’s not a matter that the class struggle can be put aside until the earth itself is saved. If the class struggle is set aside, the environment will be destroyed. The bourgeoisie is today divided into two factions with respect to environmentalism: the section that mocks global warming and other environmental issues, and the section that talks “green” but insists on market measures, and condemns even the old regulatory methods of the past. Only the development of a working-class trend in the environmental movement, combined with a general increase in working-class struggle, can force the governments to take at least some serious measures in favor of the environment. Only a working-class environmental movement can consistently expose the false market solutions, and fight resolutely against the green-washing of corporate business-as-usual.

So long as the economy is owned by the rich and run on the basis of profit-making, the environment is going to be in danger. It is only with the social ownership and control of production, with socialism, that there can be overall economic planning and direction, and the mass supervision of all enterprises. This is what is needed to ensure production is increasingly carried out in an environmentally-safe way.

But today it’s not a matter of an immediate socialist revolution. The workers themselves aren’t ready for that now, or for anything near that. But they are the only social force that will fight against the corporations and the bourgeoisie for those radical reforms which they see as necessary to defend themselves and the environment, as it becomes clear to them that such reforms are needed, and the only force that will eventually cast aside the bourgeoisie altogether and carry out a social revolution. It’s only regulation and planning where they have an influence, which can stand against the corporations to at least a certain extent.

So we need not just planning and regulation, but a class struggle to rise up that social force that will demand serious planning and regulation. We need not the “trickle-down” economics of hoping that as industries convert to alternative energy, this will provide some “green jobs”, but a type of overall economic planning that regards the welfare of the masses and the provision of livelihood for them as a goal in itself, which has to be pursued alongside the environmental goals. For the pursuit of mass livelihood, alongside the pursuit of radical environmental reform, must go hand-in-hand. That is the only way in which the planning and regulation needed for environmental reform can be enforced against the corporations.

So these are the points I wished to make about the Gulf Oil crisis as a prelude to discussion: the fact that we have entered a period of sudden catastrophes; that the failed response of the Obama administration to the crisis has resulted from its neo-liberal reliance on the private sector for everything; the need for direct environmental and economic regulation and planning in order to prevent catastrophes and minimize their impact; the failure of the establishment environmental groups because they are often linked to the energy companies in particular and certainly always to neo-liberalism in general; and the need to link the class struggle and the environmental struggle. I am sure that there are many shocking features of the Gulf crisis which comrades are eager to talk about, and so I open the meeting to discussion now.
Class trends in the environmental movement
Not all that glitters is green

by Joseph Green

Today it’s become fashionable for politicians and corporations speak in the name of the environment. How infuriating it is to see the worst corporate polluters put out “green” ads! Even the infamous oil company BP takes part in this game, and likes to present itself as “Beyond Petroleum”.

So it’s important that some activists have put out a chart Know Who You’re Dealing with...(a Continuum of Types of Organizations Affecting Environmental Matters), which is reprinted here on page 33 with their permission (but they are not responsible for any of my views). It pays particular attention to groups active in Pennsylvania, but also contains many examples of national and international groups. It sketches the range of groups focused directly on environmental matters: at one end, there’s the corporate polluters and their front groups, and at the other end are the “funded, but generally uncompromised” environmental groups and “largely unfunded, grassroots” group, on the other. (There are also totally unfunded groups based on the working class, such as ourselves, but the chart leaves these out, probably in order to avoid dealing directly with political issues.) This is a spectrum from corporate pirates and their public-relations people on one side, to dedicated activists on the other.

Not many people will be surprised that the oil companies and other corporate liars, no matter what they say in commercials, are ravaging the environment. So what’s especially important in this chart are the categories in the middle. It refers to “corporate controlled environmental groups” and “highly” or “moderately” compromised environmental groups. Many of these groups have big names and are touted by the establishment press as the real voices of environmentalism, and the chart characterizes them as either “corporate controlled”, or “compromised” by their connections with the polluters. Groups such as the Nature Conservancy and the Environmental Defense Fund present themselves as fighters for the environment, but their leaderships march hand-in-hand with to the polluters. Take a look at the chart, and see how strongly connected the establishment groups are to the capitalists ravaging our planet. This is something which should be known more widely and taken into account.

Now, I am not knowledgeable about every group listed in this chart, and so can’t endorse every single categorization. But from what I do know, it seems to me that this chart presents an accurate picture of the general nature of the environmental movement at this time. In particular, its bitter characterization of the big establishment environmental groups is on the mark.

This was shown by what’s happened since the giant BP oil spill in the Gulf of Mexico. Many members and supporters of various mainstream environmental groups expressed outrage at the crimes of BP, only to find that their own groups had either taken money from BP and other oil companies or were involved in joint programs with them. This became an open scandal that even reached the pages of the New York Times and other establishment newspapers.

The seduction of the movement

So the time is long past when, no matter what solution one advocated, by simply talking about the need to be green one could make a contribution to saving the planet’s biosphere. A large part of the bourgeoisie has learned to talk green. Just as cigarette companies learned to give money to “good causes” and advertise in every journal and at every sporting event, and they did this precisely because they knew their product was killing people, so the worst polluters learned years ago to give alms to a certain section of the environmental movement, and build links with it. Thus, for example, BP handed out money to the Nature Conservancy, while Chevron, known not only for its pollution but also for its savage exploitation of third world peoples, has coopted the World Wildlife Fund and seduced academics like Professor Jared Diamond, who sits on the WWF board, write books about the environment like Collapse, and yet praises Chevron.

But direct funding is only one of the ways in which the compromised environmental groups are bound to the polluters. Some of the compromised groups, such as the Environmental Defense Fund, won’t take funds directly from the corporations. But the EDF seeks common ground with the environmental criminals as far as legislation and lobbying; this is supposedly the way to get things done. For example, the Partnership for Climate Action unites the EDF with major enemies of the environment like BP and Shell International, and promotes them to the public as “forward-thinking companies”.

The establishment environment groups think that this is realistic politics, but who’s using who? This search for common ground with the environmental criminals has been the flag of surrender, and it has meant giving them green credentials and watering down environmental proposals to what they will accept. It means searching for proposals that won’t touch the profits or harm the image of the big corporations. And it has helped establish a revolving door between positions in establishment environmental groups and high-paying posts in major corporations.

The seduction of the movement has gone quite far: it is not restricted to groups of staid upper-class professionals and businesspeople, but has drawn in groups like Greenpeace as well.

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1 It appears at the website of the Corporate Accountability Project at www.corporations.org/system/envirogrouptypes.pdf.

2 It doesn’t deal with everything. It leaves out both government agencies and the different political groups, as well as the issue of the environmentally-related departments of universities.

3 See the glowing description of the Partnership for Climate Action at The Environmental Defense Fund’s website: http://www.edf.org/page.cfm?tagID=82.
It may seem surprising that Greenpeace is listed in the chart as a compromised. After all, isn’t it known for militant direct action in defense of the environment? And indeed, Greenpeace is not the worst of the compromised groups, and the chart does not list it as such, describing it as only “moderately compromised” rather than “highly-compromised”. But I use Greenpeace as an example, not to denigrate the positive actions undertaken by Greenpeace, but to show how deeply corporate seduction has penetrated the movement.

A left-wing Australian academic described in 2002 how this led to Greenpeace taking part in the very type of “greenwashing” of corporations that it at other times has vigorously denounced. She wrote:

“When Greenpeace emerged as an international organization in the 1970s, it embodied a spirit of courageous protest by activists who were willing to place their bodies on the line to call attention to environmental injustice. Its mission was to ‘bear witness’ to environmental abuses and take direct nonviolent action to prevent them.

“In the 1990s, however, a new current of thought grew, both at the international level and at the level of national affiliates such as Greenpeace Australia. Greenpeace leaders and many members began to talk of going beyond negative criticism. The Greenpeace Australia website proudly asserted this new philosophy: ‘We work with industry and government to find solutions.’

“Greenpeace campaigners once criticised green marketing. ‘Bung a dolphin on the label and we’ll be right’ was how Gilding referred to green marketing strategies. Yet this is just what Greenpeace did for the Sydney Olympics. Greenpeace helped sell the concept of the Green Olympics despite the toxic waste landfills on site, the waste plant emitting toxic emissions in its midst, and the use of ozone depleters in Olympic venues.

“A June 1999 Greenpeace brochure stated that ‘Sydney authorities were thorough in their efforts to remediate before construction began. Most of the waste remains on site, in state of the art landfills, covered with clay, vegetated to blend in with the Olympic site.’ This raises several problems for Greenpeace credibility. For years it has campaigned against disposing of toxic waste by landfill because it is impossible to prevent toxic material from leaking into underlying groundwater. The major landfills on the Olympic site contain dioxins and organochlorines and heavy metals without even linings underneath to mitigate the flow of leachate through the underlying soil.

“Nor was this shift in direction confined to the Australian branch. Greenpeace International wrote to Olympic sponsors, including BHP, Coca Cola, General Motors-Holden, McDonalds, and others, offering to help them earn the name of ‘Green’ in the same way as the Sydney Olympics has: ‘As sponsors, you have the opportunity to play a key role in this success. One of the many benefits of being part of the Green Games is the chance to demonstrate your company’s commitment to the environment and to future generations. The Sydney Olympics offer your staff the opportunity to take part in a long-term global initiative to protect the world’s environment. . . . Greenpeace would like to work with you to explore the areas in which you can make an environmental contribution during the Sydney 2000 Games.’

She went on to describe the revolving door that Greenpeace began to take part in:

“To date Greenpeace policy does not allow the organisation to take money from industry or government so it is not the commercial opportunities which are converting Greenpeace into a greenwashing operation. It appears to be the career opportunities available to individuals, rather than the funds available to the organisation that is influencing Greenpeace decisions.

“Greenpeace has become a site of the ubiquitous revolving door between industry, government, and NGOs. Not only are people like Bode and Wilson, who come from industry and government and see nothing wrong with a ‘reformist’ solutions-oriented approach, coming into Greenpeace, but those who embrace such an approach such as Karla Bell (champion of the Green Olympics whilst at Greenpeace) and Paul Gilding are finding career opportunities as consultants to industry when they leave Greenpeace.

“Others include Rick Humphries, who joined Gilding at Ecos Corporation and Blair Palese who left Greenpeace to work as Head of PR for the Body Shop International and then returned to work for Greenpeace four days a week and Ecos Corporation on the fifth day. Michael Bland left Greenpeace in 1989 to work for a Sydney-based marketing firm Environmental Marketing Services. Bland then started his own consultancy, Environment Matters, before returning to work for Greenpeace in 1993. In 1999 he left Greenpeace to work as a PR consultant for the Sydney Games authority.”

She concluded: “Like many groups, Greenpeace is at a crossroads. Will it remain a principled green activist group confronting polluters and despoilers or will it become a deal-making, compromised collaborator with the powers that be?”

Class differences in the environmental movement

Why has this taken place? Although the corporate polluters have a lot of money to throw around, it isn’t simply a matter of

direct bribery or even the revolving door. No, while the corporate front groups may simply be paid spokespeople for the environmental criminals, the stand of the establishment environmental groups involves something more than this: it reflects a class viewpoint.

The establishment groups represent a bourgeois wing of the environmental movement. These groups base themselves on the bourgeoisie; and they believe in bourgeois measures. They believe in bourgeois economics, which would supposedly be compatible with environmental concerns provided goods were priced at their “true cost”. They believe in neo-liberalism, and they would be horrified at the thought of the class struggle. All this being the case, it’s not surprising that they advocate impotent market measures like carbon trading for dealing with greenhouse gas emissions and other environmental problems, and shy away from the regulation and economic planning needed to effectively deal with environmental issues.

There are also activist groups which are quite different from the stuffy bourgeoisie establishment organizations. But they face a good deal of pressure to keep them in line. Funding from the charitable foundations leaves organizations a longer leash than direct money from the corporations. But the foundations represent the humanitarian wing of the bourgeoisie, and their money and approval also sets limits on those who take it. Many NGOs are also active on various environmental issues, and employ many activists, but they are funded through bourgeois or even governmental sources. Meanwhile professors who wished to study the critical areas of the Gulf to deal with the BP oil spill often found that they had to sign non-disclosure agreements with BP in order to get either access or funding for their work.

The result is a struggle between the push from a mass of activists for serious change in the economy, and the restraints of bourgeois environmentalism. The chart points out that there are some organizations which do receive some funding from foundations yet, for now, there are few strings attached. But, as the chart points out, it is “the largely unfunded, grassroots environmental groups” who “are capable of being more radical” in their agenda, because they don’t have “conflicts of interest” resulting from where they get their funding or other organizational issues.

But aside from funding, some activist groups end up compromised because they are influenced by the general bourgeois standpoint. They may oppose neo-liberalism, but think that all it takes to overcome neo-liberalism is to have more government spending on certain programs. They may oppose cap and trade, but support the carbon tax, which is simply a different type of market measure. A certain section of the activist movement says directly it opposes market measures, but yet it does not see the carbon tax as a market measure, and it believes believe that “true cost pricing” is a radical departure from the market.\(^5\)

Meanwhile the conservative atmosphere of the times has a tendency to wear down some people who might otherwise have preferred a more militant stand. The failure of the cap and trade mechanism used by the Kyoto Protocol, the failure of the US Congress to pass any environmental bill this year, and the horrible nature of the bills that were proposed, have led to a crisis in the environmental movement. This could lead in one of two directions: to rejection of this new fiasco of bourgeois environmentalism, or to a search for some type of common denominator to form a basis of unity with the present neo-liberal awfulness.

Thus recently David Roberts, a staff writer for the environmental on-line journal Grist, expressed a certain mood in his article “‘Environmentalism’ can never address climate change”:

“...the question is whether ‘the environmental movement’ can catalyze a big enough movement to be effective on this problem.

“What needs to happen is for concern over earth’s biophysical limitations to transcend the environmental movement — and movement politics, as handed down from the 60s, generally. It needs to take its place alongside the economy and national security as a priority concern of American elites across ideological and organizational lines. It needs to become a shared concern of every American citizen regardless of ideological orientation or level of political engagement.

That is the only way we can ever hope to bring about the urgent necessary changes.”\(^6\)

Here Roberts calls for jettisoning “movement politics”, generally understood as embracing some kind of struggle, and looking towards making the environment “a priority concern of American elites”, liberal or conservative. This seems to reflect a certain weariness with what seems a one-sided fight against the powerful the polluters: it is a dream of bringing them all into the fold, along with their concerns to maintain their privileged position (their priority concern on the economy) and their imperialism (their priority concern on national security). Well, that may not be what Roberts sees as their concerns, but that’s what the concerns of the elites actually are, and closing one’s eyes to them won’t change that. What is needed is not drawing closer to these elites: it is to link the environmental movement closer with the masses oppressed by these elites, in order to develop a class struggle that is far stronger and more consistent than that of the 60s.

\(^5\)(...continued)


\(^6\)‘Environmentalism’ can never address climate change”, August 9, 2010, “Grist: a beacon in the smog”, http://www.grist.org/article/2010-08-09-environmentalism-can-never-address-climate-change/, emphasis as in the original

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\(^5\)For a discussion of environmental market measures in general, see “The coming of the environmental crisis, the failure of the free market, and the fear of a carbon dictatorship” (Communist Voice #39, August 2007, www.communistvoice.org/39Kyoto.html), which deals with the Kyoto Protocol, cap and trade, the carbon tax, direct regulation, and democratic vs. capitalist planning. For a much more detailed discussion (continued...)
# Know Who You're Dealing With...

(a Continuum of Types of Organizations Affecting Environmental Matters)

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<th>Corporate Trade Associations</th>
<th>Corporate Front Groups (Public Relations, “Wise Use” Groups and Think Tanks)</th>
<th>Corporate Controlled Environmental Groups</th>
<th>Highly-Compromised Environmental Groups</th>
<th>Moderately Compromised Environmental Groups</th>
<th>Funded, but Generally Uncompromised Enviro Groups</th>
<th>Largely Unfunded / Grassroots Enviro Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td>Economic interest puts them at odds with environmental interests, requiring that they influence the rest of this spectrum.</td>
<td>Associations that represent the economic interest of their corporate or professional members.</td>
<td>Often established on behalf of corporate trade associations and with funding from corporate polluters.</td>
<td>Groups with a high degree of influence from corporate polluters, through funding and board connections.</td>
<td>Typically via corporate / state funding, corporate board members, or foundation-front groups set up by foundations with corporate-friendly agendas.</td>
<td>Often funded largely by membership, but agenda is somewhat compromised or directed by foundation or even corporate funding.</td>
<td>Either primarily membership-funded, or funding by foundations with few strings attached.</td>
<td>Generally no structural (financial or organization) conflicts of interest. Group agendas are capable of being more radical.</td>
</tr>
<tr>
<td><strong>Pennsylvania Examples</strong></td>
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<td>Pennsylvania Waste Industries Association</td>
<td>ARIPPA (waste coal burning trade association)</td>
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<td>PA Cleanways</td>
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Available online at: www.corporations.org/system/envirogrouptypes.pdf
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by Joseph Green

The Obama health care plan has been signed into law, but the health care crisis continues. This much bally-hooed bill is long on promises, and short on what it provides. There are still tens of millions of Americans uninsured or unable, despite being insured, to afford needed treatment. And the history of the attempts by various states to accomplish, as in the Obama bill, universal coverage via private insurance shows that these plans usually fizzle after several years.

So health care is still very much of an issue. Many books and articles were written in the last few years during the debate leading up to the bill. One of the useful ones, which remains of interest, is The Healing of America: A Global Quest for Better, Cheaper, and Fairer Health Care (2009) by T.R. Reid, a long-time journalist and a commentator for National Public Radio. He surveys the medical systems of France, Germany, Japan, Taiwan, Britain, and Canada, where he went to study these health systems as well as to seek care for his suffering right shoulder, which was originally injured in an accident in the US Navy in 1972.

True, it’s a commonplace these days to note that the US pays more for health care than other wealthy industrialized countries, and gets less actual care for it. For millions of Americans, medical insecurity is a modern-day horror, and Reid talks of 22,000 unnecessary death each year in the US from lack of medical care. (208) But knowledge of how the systems in other countries work isn’t so common, and that’s where Reid’s book helps fill a gap.

Well, it’s hard to read about the health care systems surveyed by Reid without a feeling of envy that things are better over there. But it also expands one’s viewpoint. Seeing how things are done elsewhere punctures the excuses given by the insurance companies, pharmaceutical firms and other medical industries about how they have to get everything they want if there is to be good health care. The truth is that medical care is better where private insurance companies either don’t exist or are so heavily regulated that American free-market politicians would call it “socialism”. I won’t go into the details of other systems: one will just have to read these things for oneself in Reid’s book.

1Numbers in parentheses are page references to Reid’s book.

The crimes of medicine for profit

A strong point of his book is the emphasis on how the profit motive turns private insurance into a complicated horror in the US, rather than a help. He writes “It’s revealing that, in the lingo of the U.S. health insurance industry, the money paid to doctors, hospitals, and pharmacies for treatment of insured patients is referred to as ‘medical loss.’ That is, when health insurance actually pays for somebody’s health care, the industry considers it a loss.” (37)

He goes into the various crimes of private insurance, such as “rescission”, that is, canceling the insurance of people who get sick. And he lays stress on an infuriating side-effect of the system: “The second major anomaly of the U.S. system . . . is sheer complexity. We have developed, more or less by accident, the most fragmented health care system in the developed world, with ‘providers’ sending bills to a vast array of different payers.”

The ill effects of privately-funded health care aren’t only manifest in the US. When he looks at China, he notes that the privatization of health care there has resulted in major hardships for the majority of the people there. He writes that “Since the 1980s, the cadres overseeing China’s transformation to a market economy have also transformed health care, from a universal government system to a nonsystem that puts most of the burden of health care on the patient. In 1978, when Chairman Mao’s ‘barefoot doctors’ were running government-funded clinics in almost every rural community, out-of-pocket payment in China came to 20 percent of health care costs, not much more than in some wealthy nations. By 2005, with medicine mostly privatized, about 60 percent of all health care costs were paid from the patients’ pockets, . . . For wealthy people in the big eastern cities, Chinese today has excellent medical care . . . But for hundreds of millions of people in the desperately poor rural areas, medicine is an unaffordable luxury.” (151)

But Reid will only go so far in criticizing medicine for profit. He emphasizes the failure of private insurance in paying for medical care, but he doesn’t look closely into how the profit motive in the hospital, pharmaceutical and medical supply industries affects not just the financing of medical care, but its nature. Instead he repeatedly lauds the private sector in health care, and seeks to distinguish the universal care that he advocates from “socialized medicine”. He writes that “Another basic building block in the health care systems of every wealthy country — except the United States — is the principle that financing health care must be a nonprofit endeavor. There’s a crucial distinction between providing health care — what doctors, hospitals, labs, and pharmacies do — and financing health care. As we’ve seen around the world, most countries rely on free-market enterprise to provide health care — but not to pay for it.” (235, emphasis added)
A world-wide fight over health care

Moreover, in his descriptions of various medical systems, in the US or elsewhere, Reid glosses over some things. He doesn’t have a realistic feel for how these systems impact the poor, and assumes that if they are covered by some program, then they actually get reasonable care.

He also has a patronizing smile for the people in other countries who are fighting the increasing pressure for cutbacks. He implies the threat of cutbacks isn’t that serious, and he recites the semi-facetious “Universal Laws of Health Care Systems” from the American economist Tsung-Mei Cheng, their first principle being “No matter how good the health care in a particular country, people will complain about it.” (27)

Yet as the current world economic crisis spreads, there is a growing drumbeat from the capitalists and financiers for major cutbacks in wages, pensions, social programs, health care, worker protections, and everything. It’s beating louder and louder, and reaching new heights as budget crises spread from Ireland and Greece to Spain and the United Kingdom and beyond. Morality and the supposed cost-effectiveness of preventive health care be damned: the bourgeoisie has never been permanently reconciled to the existence of universal social programs. Major clashes over social programs have begun, and their fate depends on the strength of mass resistance.

Meanwhile, in the US, the conservative resistance to national health care isn’t simply a matter of ignorance of the systems elsewhere. It’s a matter of the class stand of the American bourgeoisie; its adherence to the program of neo-liberalism; and the presently-depressed state of the class struggle between the working class and the bourgeoisie.

The importance of workplace and environmental issues

Reid’s focus on financial accounting may be understandable, given the financial nightmare of American medicine. But there is a lot more to medicine, and a lot which bourgeoisie medicine, even as practiced in the better universal systems, ignore. Moreover, many of these issues may become more severe in the future; medical practice can’t simply stand still.

One such issue is workplace health and safety problems. From repetitive stress injuries and back problems to chemical poisoning, many health issues are related to the workplace. A better connection between health care and the workplace would be a great boon for workers.

Reid, however, ignores this. He doesn’t consider the difficulty facing medical surveillance of the workplace in a capitalist economy where most employers have every financial incentive to block it. After all, even if a universal health plan can’t drop patients, the individual workplace can get rid of injured workers. So the capitalists, unless pressured by their employees, will generally find it more convenient to overwork and injure workers, than to provide safe workplaces. But Reid ignores the need for health care to keep track of workplace issues, including the challenge of new technologies, and for workers to have a role in enforcing better practices on their employers.

Workplace issues slide over into environmental issues, and they are barely mentioned by Reid, who doesn’t seriously consider what has to be done to deal with them. The chemical poisoning and other health dangers from bad industrial and agricultural practices affect not just particular workplaces, but whole communities, regions, and even countries. The health of people in the Nigerian delta poisoned by the oil industry can’t be guaranteed by ordinary medical care alone, but requires the elimination of oil industry poisoning. In Colorado, Pennsylvania, and other states we see people being poisoned by bad water and other chemical contamination by the growing practice of hydraulic fracturing (“fracking”) of rock layers to extract natural gas; this problem can hardly be answered simply by treating each individual case. Genetic engineering, new nanotech technology, and the continual development of more and more industrial chemicals show that medicine is going to have a face more and more environmental challenges, and suggest that medicine is going to have to change, not just its financing, but its methods of operation.

There must be a mass role in health care

Reid praises the role of experts in devising this or that health system, and he doesn’t talk about the need for a mass role in supervising medicine. He sees no further than the elitist system that prevails now. Yet a number of improvements in American health care have taken place because of mass pressure from the anti-racist movement, the women’s movement, and other activists. In particular, the mass upsurge of the 1960s, and its aftermath in the following years, really shook up the medical establishment. It wasn’t a panel of experts that oriented medicine to pay more attention to environmental poisons like DDT and various other pesticides; reform how it dealt with women’s issues in general; provide contraception and abortion (insofar as abortion actually is available); take seriously the problem of sickle-cell anemia or of lactose intolerance; or even make a major effort on AIDS. It was mass pressure, to which the medical profession, the politicians, and the experts responded. Of course I don’t mean that every idea from activists was right, or that a vote among the general population about some medical issue can replace the need for careful scientific and medical studies. But mass involvement has repeatedly brought a fresh wind into medical practice.

If things are left to bourgeois experts, it’s unlikely that proper attention will be paid to workplace issues. Present-day professional associations are too isolated from working-class life to have a proper picture of what goes on. Indeed the growth of medical entrepreneurialism in universities, the privatization of hospitals, the gifts lavished on doctors by pharmaceutical companies, and the wealthy status of top doctors all combine to reinforce the connections of the leadership of the medical profession with the bourgeoisie. It will require pressure from the workers themselves if there is to be proper attention to their safety. And it will require coordination with the mass of workers to provide a real medical supervision over industrial and agricultural practices. For all these reasons, it’s important that workers’ organizations play a major role in health care and in a proper medical system. Progressive doctors should strive to stand by workers and orient the health care system in this direction.
This is only possible to a limited extent under capitalism, but it’s important to achieve whatever is possible in this regard.

If things are left to bourgeois experts, it’s also the case that some of the presently-fashionable medical initiatives, such as greater emphasis on lifestyle issues in health care, can backfire and become oppressive. Under the present system, they could turn into penalizing people for having high cholesterol, bad blood pressure, or being overweight, or just not acting in accordance with someone’s idea of clean living. Already a few employers are moving in that direction, a return to the oppressive practices of Henry Ford and other capitalists who thought they could dictate every aspect of their employee’s lives. This is too close for comfort to what was depicted in Samuel Butler’s satirical utopian novel Erewhon (“nowhere” more-or-less spelled backward), where the ill were sent to jail based on the belief that they must willfully have refused to take proper care of themselves. In real capitalist life, the working class ill aren’t sent to jail, but they may lose their health insurance, their jobs, and their security of life.

No doubt Reid personally would oppose such abuses. But by neglecting the mass role in running the health system, he overlooks what is needed to prevent them. In his book, the role of the people is to be harangued and pushed into preventive measures. Aside from that, the other role of the masses that he sees is to give their consent to cutbacks, and he writes: “In a democracy, universal coverage helps create the political will to accept limitations and cost-control measures within the system.” (238) But that’s about it. He doesn’t even note that one of the main problems with the complexity of the American system, which he otherwise justly condemns, is that it keeps people divided, so they won’t unite against the abuses of the health care system.

A good universal health system would be a major advance over private insurance and the Obama bill. But even the better universal plans in capitalist countries are not the same as what health care would be like under socialism. It’s under when the workers control the economy as a whole that health care can really involve mass initiative and be fully integrated with workplace and environmental issues.

The relation of cost-efficiency and preventive care

Reid discusses preventive care, and points out the importance of public health measures. He makes the significant point that “Dramatic surgical advances and biological breakthroughs that lead to new wonder drugs tend to draw the headlines…In fact, though, the long slog of extended observation and population studies carried out by unsung public health experts generally adds more to the span of our lives.” (187) And he uses the example of the dangers of cigarette smoking as a prime example. He also points out that “We tend to think that twentieth-century medicine, like vaccinations and antibiotics, conquered such diseases as measles, scarlet fever, whooping cough, and tuberculosis; in fact, there was a sharp decrease in death rates from these ancient killers decades before the wonder drugs came along. Most of the credit goes to public health advances in water purification, sewage disposal, and pasteurization of milk.” (191-2)

But what will motivate the development of a comprehensive system of preventative care today? In Reid’s view, and he is simply following bourgeois fashion on this, preventive medicine will mainly be the result of the push for cost-efficiency. He does mention that sometimes preventive care can actually cost the health system more than otherwise, although it’s not clear whether he thinks it should carried out in that case: in the examples he gives, expensive preventive care is also medically questionable. (197-8) And he says that some preventive care is carried out because of “basic altruism”. (185) But he stresses that “any health system needs a strong incentive — an economic incentive — to invest in preventive health care.” (185)

This is another example of his dual attitude toward for-profit medicine. On one hand, he gives examples of how for-profit insurance results in irrational medical treatment and the neglect of many basic medical measure. But on the other, he expects that, if only for-profit insurance is eliminated, the drive for cost-control will result in preventive care and good practices. He may scoff at Adam Smith’s invisible hand when it comes to private insurance, but he embraces that invisible hand when it comes to treatment in general.

In reality, the history of medicine is full of people, from ordinary people striving to ensure the well-being of their families to midwives, nurses, doctors and researchers, who were motivated by the struggle against disease and human degradation. It is also a story of the exploiting classes seeing nothing wrong with the working majority being forced to live and work in unsanitary and unhealthy conditions, and of working people organizing together to demand a decent life. But has all this struggle simply been due to a failure to realize that proper preventative health care would supposedly be something economical and profitable for all concerned, so that one needn’t worry about the effect of class differences nor be overly dedicated to human, rather than financial goals? Or perhaps these concerns may have once been important, but the development of national health systems makes them obsolete, so that we have entered a new era for medicine in which financial goals and health goals coincide?

A one-sided discussion of economic incentives

But no, the existence of universal health care systems doesn’t tame the world of economic incentives. To show that it does, Reid’s discussion of economic incentives has to be one-sided. He arbitrarily singles out some of the financial costs and benefits involved in national health care, rather than looking at them as a whole. And he doesn’t consider that some people pay a disproportionate amount of the costs while others get a disproportionate amount of the benefits.
For example, consider the example of cigarette smoking, one of Reid’s prime examples of how there is an economic incentive to have preventive care, that is, measures to discourage smoking. It would have been more realistic to have also taken note of the economic incentive of the cigarette companies to injure and kill — slowly but surely — as many people as possible through promoting a poisonous product.3

And with regard to preventive care in general, one has to look into the economic incentive to pollute the environment and underpay and overwork workers so that they can’t lead healthy lives. This might have led to considering what type of pressure from the working majority is needed to counterbalance the economic incentive to the capitalist minority to ruin the health of millions of workers. In reality, it happens again and again that a single industry is able to stonewall for decades public health measures which affect it. The cigarette industry blocked preventive measures against smoking; the asbestos industry concealed the truth about the dangers of asbestos; oil companies hide the truth about the dangerous pollution and water poisoning caused by the extraction of natural gas via hydraulic fracturing (“fracking”); and so on. The corporations make the profits, while the health costs — both human and financial — are borne by others. And effective public health measures would benefit the people, but would impose costs on the corporations.

Well, it might be said, what Reid is talking about is the economic incentive for the health system itself, not the overall economic effects of health measures, and not the economic effects on various businesses. But even here, the economic incentive isn’t so clear. For example, a similar argument to what Reid’s makes with respect to universal health care was once more with respect to HMOs. It was claimed that economic incentives would ensure that HMOs provided preventive care for their members. Keeping their subscribers healthy would supposedly be cost-effective for them, as the cost of preventive care would be outweighed by the reduction in expensive medical treatments as the HMOs’ member stayed healthy. But things didn’t work out that way. The HMOs gradually found other ways to cut costs, such as the heartless policy of rescission (denial of benefits) that Reid justly condemns in his book, and they have found that raising premiums provides abundant profits.

Of course, Reid doesn’t think that HMOs aren’t the answer. An important theme of his book is that for-profit health insurance doesn’t work. But Reid claims that the invisible hand of economic incentives would work properly if only the health system is universal and unified. He writes that: “In a nation with a unified health system that covers everybody — which is to say, all the industrialized democracies of the world except the USA — it clearly benefits both the population and the [health] system to invest in public health.” He holds that it is simply because in the US there is “a fragmented, multifaceted-system” that “the economic incentives for preventive care is dissipated.” (185)

He ignores that the economic incentives for the various for-profit health industries, such as the pharmaceutical companies, are quite different from any incentive that the overall health system may have to stay within budget. He also ignores that, if preventive care is successful, then it might result in a number of additional expenses to the health plan or to the government: when retired people live longer, more money will be spent on their pensions, and also possibly on nursing care home, and on treatment for those diseases which have so far eluded preventive care.

Preventive care is important for the health and well-being of people. But an overall look at the economic consequences of preventive care casts doubt on whether improved preventive care will be brought about by the prospect of big financial savings for everyone. There are many financial interests involved, and even the immediate savings to the universal health system brought about by a better preventative system might be disappointing. No doubt a health system has to take account of the total resources, financial and otherwise, available to it; and waste should be avoided. But steps taken in the name of preventive care and public health are likely to be half-hearted or even abortive, if they are motivated mainly by the drive for cost-efficiency.

The danger of financially-motivated technocratic panaceas

I have already referred above to the danger of workers being penalized for their own health problems on the pretext that it’s the fault of their life-style. It should also be noted that the health profession has often been mistaken on what it has prescribed as treatment for various conditions or preventive care. But despite this history, the dream of making big savings in the cost of health care — without stopping the rampant pollution from industry, without reforming agricultural practice, and without eliminating the exhaustion wearing down people having to work several jobs to feed their families or keep their children in college — has resulted in the idea of developing and enforcing a system of “best practices”. This appears in the Obama bill, and in the Massachusetts plan that preceded it.

In reality, there has long been a standardization of accepted medical practice in the US. And for some time now, the various health plans, private or government, have put forward their own restrictions on what they will authorize. But Obama’s plan for developing and enforcing “best practices” would go further, and prescribe a more detailed set of “best practices”. This is supposed to improve medical care while saving lots of money. To make this plausible, its advocates point to various hospitals and clinics that are slipshod and really should be reformed. But instead of looking into why such slipshod practices take place, and what type of oversight is needed, the solution is supposed to be an ever-more cut-and-dried set of rules which all treatment has to follow.

This threatens to systematize and make more rigid the restrictions on medical treatment pioneered by private insurance. Instead of increasing mass involvement in health care, it threatens to escalate the elitism of the health profession, and isolate it further both from the population in general and from the

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3The high profits of the cigarette companies, and the economic incentives they provide, remain an issue to this day. For example, American cigarette companies, faced with restrictions on their product in the US, have stepped up their sales overseas. They have contributed to the growth of cigarette smoking in Asia as a whole, and recruited the US government to help fight Asian restrictions on their product.
mass of health care workers.

Given the checkered history of past attempts at establishing such “best practices”, this new technocratic plan is unwise. Dr. Groopman, a medical researcher who has written several books on medicine, commented earlier this year on the plans to enforce “best practices” in the health care bill. He wrote that “Over the past decade, federal ‘choice architects’ — i.e., doctors and other experts acting for the government and making use of research on comparative effectiveness — have repeatedly identified ‘best practices,’ only to have them shown to be ineffective or even deleterious.” He dwelt mainly on the technical obstacles to developing such cut-and-dried “best practices”, obstacles that exist even when the committee are focusing simply on the quality of health care. The situation is worse if the “best practices” are motivated mainly by cost-cutting, which is how they ended up in the Obama plan. And worse yet, it can be expected that the pharmaceutical companies, biotech firms, and other health industries will have a major influence on the panels formulating the list of “best practices.”

A system of preventive care that is motivated mainly by cost-control will lead to this type of dead end. Reid ignores this because he only sees the problem of for-profit medicine as applying to the financing of health care; he tries to conciliate the other capitalist interests involved in health care rather than showing the continual clashes between medical capitalism and health care.

**A dead end**

Reid provides a good deal of useful information in his book about the variety of universal health systems that presently exist in other countries. He explodes some of the lies about these systems told by the advocates of free-market medicine. But he recoils from looking at the class issues involved in the health care debate. This leads him into a dead end. This is reflected in his silence on the Obama plan.

In his book, he mentioned that attempts to make private for-profit insurance universal aren’t going to work, and he wrote: “Efforts like the new Massachusetts plan, designed to enroll everyone in private insurance, are probably too costly to maintain. It’s admirable that the state wants to see every citizen get health insurance; but the Massachusetts approach just loads more people into a system that is already the most expensive and the most inefficient in the developed world. If every state did that, the insurance industry would rack up even higher profits, but state budgets would implode.”

This is an important point. And one would think that it would also apply direct to Obama’s “Patient Protection and Affordable Care Act” of 2010. But wait, one might say, the bill was passed after Reid’s book was written. True, but the concept of the Obama bill had been around for some time. Indeed, it has been clear since the days of the Clinton presidency that the main Democratic proposals for universal health care were complex and based on maintaining insurance for profit, both things that Reid’s book otherwise takes aim at. But Reid ignores this in his book. And since his book was published, he seems to have maintained his silence on the Obama bill. As far as I can tell, he has said nothing about it in public, and posted nothing about it on his website (www.treid.net). His failure to look into the class issues in the medicine has thus resulted in an inability to maintain a consistent stand even with regard to the issue of private insurance.

It’s also notable that Reid averts his eyes from the new challenges for medicine in the future. He implicitly assumes things will remain the same, and that’s a dangerous assumption in these days of economic and environmental crisis and of rapid scientific and technological progress. His book is important because he warns of the dangers of for-profit private insurance and introduces people to how health care is managed elsewhere, but it refrains from a deeper look at how the free-market in medicine is failing to deal with current and coming medical challenges.

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5 The fact that the government’s interest is to cut costs doesn’t mean that the panel has the same interest. Drug companies, for example, will promote their drugs as a “best practice” in the name of cutting costs. The winning drug companies, the use of whose drugs are endorsed as the “best practice” for this or that condition, will end up with greater profits, while alternate therapies or drugs may be banned. The result may be neither cost-cutting nor good medicine.
About the US Social Forum meeting in Detroit, June 2010
(Talk at the Detroit Workers’ Voice Discussion Group meeting of July 15, 2010)

by Mark Williams

At the end of June, the US Social Forum came to Detroit. This was a gathering of thousands of activists and left-wing groups. Supporters of the Communist Voice Organization attended, setting up a literature table in a hall with scores of other groups.

Our attendance does not mean we agree with the mainly reformist politics presented by the leadership of the Forum and most of the attending groups. But this was a mass gathering of activists participating in the environmental and anti-war movements and those fighting for better worker conditions, against racism and sexism, etc. And we felt it would be good to bring our revolutionary working class politics to this gathering, seeing as there would be many activists still sorting out their political views and to get our stand around the left in general.

The reformist outlook

What do I mean when I talk about the reformist outlook that dominated the views of the Social Forum? Certainly, workers must engage in the fight for certain reforms, certain improvements in their condition. So we aren’t opposed to that. But there is the question of how this struggle is conducted, and we have a different approach than the reformists. We also believe that capitalism is preparing the conditions for socialism, and that, when the future class struggle reaches a certain point, there will be the potential for a revolution sweeping away capitalism and establishing the rule of the working class and starting the building of a socialist society.

For us the problem with reformism is its failure to really believe in the class struggle as the engine of change for both today’s battles and the larger revolutionary battles of the future. In today’s battles, reformism looks toward allegedly progressive capitalist forces as vehicles for change. Or it looks to establish this or that community project that will allegedly solve the problems of the masses without really fighting the capitalists. This can be seen in the stands of various of the Detroit leaders of the recent Social Forum.

The Metro Times of June 23-29 had a big article on a meeting they had with these leaders. One of the leaders they talked to was Rich Feldman, a former union official at the Ford Michigan Truck Plant and now a board member of the James and Grace Lee Boggs Center to Nurture Community Leadership.

Feldman is a complete apostle for the present UAW leadership, a leadership which has sold its workers down the river. Ron Gettelfinger was recently replaced as the sellout leader there by Bob King. Feldman's excited “with the upcoming election of vice president Bob King as president” which he says means that the UAW will again be participating in “social movement[s]” and will be an eager participant in the Social Forum. Indeed Bob King and other union sellouts were featured speakers at the event. Feldman is praising UAW president King, totally ignoring King is a buddy of Gettelfinger, who oversaw massive job, wage and benefit losses for the autoworkers, and that King is excited about the new Obama-led aid to the auto capitalists which required massive attacks on the workers.

Or take Elena Herrada, another former union leader (auto cafeteria). She doesn’t say much in the interviews. But she helped found Centro Obrero, which gets funded from the AFL-CIO and others. Centro Obrero teaches English and provides legal aid for mainly immigrant workers. Such aid can be of help. But it is not oriented toward building a mass movement of workers. (She recently got appointed to the Detroit school board to replace Mathis, the guy who was recently indicted for groping himself in front of a female school official. But it’s not clear from newspaper accounts what she wants to do there.)

The same Metro Times article also interviews other members. Largely they talk about things like urban farming and various artistic projects. These may have some benefit, but whatever their benefits, they are not going to solve the main problems facing the working class like joblessness and wage cuts, wars, environmental disaster, etc. And they are notably projects which get developed independent of any mass struggle with the capitalists.

So this is a small look at the type of forces organizing the Social Forum.

The state of the mass struggles

But there was more to the conference than just the harmful reformist views. No matter these views, there are activists there that are coming into the struggles and coming to terms with their political stands. They are searching to find other activists, learn from them, and exchange views. They are mainly not revolution-ary-minded, but are fed up with the present system in one manner or another.

Their opposition to the status quo is very important. First, it’s important the struggles move ahead so that the masses aren’t run over. Second, their efforts to change things will push them towards looking for the most effective means of doing so, and we believe we have something to say about that. Thirdly, a section of activists will become hostile to capitalism itself and look for a revolutionary alternative, which we think is anti-revisionist communism.

The Social Forum itself was not a gathering to promote revolutionary organizing. Indeed, unlike a lot of conferences, there was no effort to line up everyone behind a specific program or political view, but what happened was to just let the predominance of reformism hold sway spontaneously, so to speak. So there really wasn’t debate at the Social Forum that it should have this or that stand.

But overall, the Social Forum did reflect the actual state of things in the mass movements at the moment. Presently, there is
We said that the workers must be organized as stewards issuing pollution permits that can be traded between capitalists. Obama’s idea is to let the market bring this about magically by regulations, and serious planning to convert to clean energy. But they are also crushing their own people, which also undermines the anti-US struggle.

This was an issue at the Social Forum. There was, for example, a group of anti-Zionist Jews, which is a good thing for Jews to be, because Zionism is the political stand of the Israeli rulers who are big bullies in the Middle East and are beloved by the US rulers. But, they also felt it important to tout Iran’s support for the Palestinians who are being oppressed by Israel. Iran is a tyranny, and Hamas is based on fundamentalist bigotry, which is no big help to the Palestinian masses.

A big example at the Forum was also the support given to Hugo Chavez in Venezuela and to Evo Morales, the Bolivian leader. Chavez has made some reforms that help the masses, but he doesn’t represent the workers. Latin American history is full of such leaders, whether from the military like Chavez, or not. Their reforms are not nearly enough to satisfy the needs of the masses, while the capitalist business elite cements itself in power, even if it’s forced to adjust to some reforms. Our view is that the workers in these countries must establish their own class organizations and not rely on Chavez. Morales is less of a reformer than Chavez, but the Bolivian ambassador to the UN was a featured speaker at the end of the Social Forum. This is undermining what’s needed by the masses in these countries.

Replacing capitalism

Activists are not only concerned about immediate issues, but also what are the underlying causes of these problems, and other types of social systems to replace the neo-liberal capitalism that has been ravaging the world. There are many answers put forward, although the Social Forum itself has no definite stand. At the Forum, there were some groups advocating replacing our present system. For many reformists, this is a matter of electing more liberal Democrats who will allegedly curb the bad capitalists. There were other groups touting the “socialism” of the likes of Venezuela’s Hugo Chavez, or promoting the reformist government of Morales in Bolivia. There were also promoters of Cuba, where private capitalism is growing rapidly under the state capitalist bureaucracy. The RCP was still promoting Maoism, which cut short the revolution in China and helped build up the state-capitalism there. And there were other trends as well, such as supporters of the parecon system, a system developed by some left-wing economics professors (Albert and Hahnel) which promotes a version of anarchism that supposedly overcomes capitalist society.

Our organization put forward the view of a revolutionary overthrow of capitalism by the working class and the building of socialism. For a lot of workers, this stand is associated with the old Soviet Union of China or Cuba. And the class inequality and political tyranny in these countries has discredited the notion of communism. So in our leaflet, we highlighted why we consider those societies to have developed a new type of state-capitalism with all the attendant ills. We noted their fake communism had

Our approach

We put out a leaflet for the Social Forum where we tried to take into account the present situation in the mass movement. We encouraged the various struggles. And we put forward the idea that the class struggle is the path forward for them. What does this mean at present?

One thing we emphasized was the need to have a clear understanding of the Obama administration and the Democrats in general. We think this is a class issue, because the Republicans and Democrats are both in the pockets of the capitalists. This is a big issue in the movements. Much of the reformist left wound up supporting Obama in the election. But whether they had faith in Obama or not, many activists at the conference and elsewhere are unhappy with things they see Obama doing, and some activists never had faith in the Democrats. At the same time many of the conference leaders were unable to really speak clearly about Obama. They may be upset at this or that thing. In fact the top sellout AFL-CIO leadership is displeased with certain things. But they think he’s just gone astray or needs to be nudged a bit into being on the right side.

Our leaflet showed that whatever Obama’s differences with Bush, he sides, on issue after issue, with the same class interests that Bush did. We showed that Bush and Obama both believe in “free market” economics and that this means bailing out the financiers and letting the workers rot, both native-born and immigrant workers. We showed how the free market policies have undermined meaningful health care changes or measures to protect the environment. And we noted the continued imperialist politics with wars in Iran and Afghanistan continuing to rage.

We then turned to the issue of the class-collaborationist union bureaucrats. Unfortunately, the idea of the reformist left is to have faith in the bureaucrats who have stifled workers struggles for decades on end. And they teach this to the activists who go into the mass movements. We cited the auto workers being sold out by the UAW in collaboration with the Obama government, as well as examples from the postal workers. And we put forward things that would help bring about independent class organization among the workers.

The environmental issues were big at the conference, and we strove to show how a class stand is needed there. We need strong regulations, and serious planning to convert to clean energy. But Obama’s idea is to let the market bring this about magically by issuing pollution permits that can be traded between capitalists. We said that the workers must be organized as stewards overseeing whatever regulation and planning takes place.

On the issue of war and imperialism, we set out what our views on that would be as well. For one thing, we pointed out the class forces that need war to maintain their system of profiteering around the world. And we also raised the issue of having a class stand in support of the workers and poor in the countries the US is fighting, rather than promoting Hamas, or Ahmedinjidad (Iran) or the Taliban, as do many reformist forces. These forces may dress this up as “anti-imperialist” because these local tyrants are opposed to the US. But they are also crushing their own people, which also undermines the anti-US struggle.

Indeed, though reformism was still the main force then, there was a considerable force taking up revolutionary politics, and even a sizeable trend proclaiming itself not just for revolution, but for genuine communism, not the fake communism of the then Soviet Union, and against Trotskyism, which claims itself against Stalinism, but promotes the regimes of the fake communist countries. Today, you have various activists coming up, and they are fighting important battles and looking into what needs to be done, but the efforts to build up new revolutionary trends are relatively tiny.
nothing in common with the views of Marx, Engels and Lenin.

Now of course, in our leaflet we were limited to what we could say about these issues, but we wanted to introduce them to the activists and encourage discussion. We have written a good deal about the state-capitalist political and economic views, as well as parecon and anarchism. We have also written a good deal against Trotskyism, a view that arose as critical of Stalin and other revisionist leaders, but which nonetheless wound up supporting revisionist regimes as pro-worker and anti-capitalist.

Activists at the US Social Forum are fighting many vital struggles against the crimes of world capitalism. In the US and around the world, the rich corporations and the governments that are in their service are driving the working masses to ruin. The economic crisis has hurt millions of workers and whatever programs of social welfare existed are being torn to shreds. New campaigns of racist discrimination are rising, with immigrants being a special target. Militarism and war continue to rage. All this is creating the grounds for new revolts that are popping up.

What is needed is to push forward the class struggle. The workers and poor must get organized. They must have new organizations that express their class demands and methods of fighting. This is important if we are to push forward the immediate struggles of today. And these struggles are also the time for workers to prepare for bigger battles in the future that will bring down the capitalist order and put the workers in charge of building a socialist future.

Obama vs. the masses

One of the major obstacles to this is faith in the Democratic party. Time and again the Democrats have shown that whatever their differences with the Republicans, they too are servants of the rich and enemies of the masses. No sooner did Obama come to office than he embraced Bush’s program of showering the banks with our tax trillions. Meanwhile, there are no serious jobs programs and poverty is flourishing. The imperialist wars in Iraq and Afghanistan continue to rage. And Obama has outdone Bush in deporting and hounding working-class immigrants. The administration’s big claim to fame is their health care bill, which keeps the greedy private insurers in charge of meting out health care and charging outrageous prices for their “services”. And their so-called “green energy” talk cannot hide the continued subservience of the government offices to BP and other energy capitalists who are busy destroying the environment. Indeed, only a few weeks before BPMs massive spill, Obama was touting the safety of offshore oil rigs!

In fact we sold five pamphlets just on the question of Trotskyism to activists at the Social Forum.

So this was our approach to the Social Forum. Though our participation was limited due to our small forces, we were able to circulate 900 leaflets such as I described above. And activists also purchased a fair amount of copies of our journal Communist Voice. We also had activists sign up to be contacted to get further literature or to be otherwise contacted by ourselves. So we had some success.

The class struggle is the path to a world free of oppression!

(Below is the text of Detroit Workers' Voice #91, June 22, 2010, which was distributed at the US Social Forum meeting in Detroit.)

Activists at the US Social Forum are fighting many vital struggles against the crimes of world capitalism. In the US and around the world, the rich corporations and the governments that are in their service are driving the working masses to ruin. The economic crisis has hurt millions of workers and whatever programs of social welfare existed are being torn to shreds. New campaigns of racist discrimination are rising, with immigrants being a special target. Militarism and war continue to rage. All this is creating the grounds for new revolts that are popping up.

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There are many more outrages by the Obama government. The differences between Obama and Bush are, it turns out, relatively minor. They both serve the same class of exploiters, and they both are loyal to free-market economics and militarism.

The union officials and the Democrats

The role of the main trade union leaders is an example of how faith in the Democrats and undermining the class struggle goes hand in hand. They claim to stand for the workers but in fact they are a comfy elite helping the capitalists suck the workers dry. They champion concessions in order to “save jobs”, but the jobs disappear along with decent wages and benefits. They are dedicated to helping the Democrats, however. They turn over the workers’ dues money to the Democrats and rally workers to campaign for them. And who do the Democrats help? The capitalists who are exploiting the workers.

Take the UAW. For decades they have been offering concessions to the auto capitalists. Here in Detroit, they betrayed the American Axle workers’ strike, calling off a major rally as the strike was building its strength. Then, in negotiations with the Big Three, the Gittlefinger leadership gave away the right to strike at Ford and sold out the younger generation, allowing new hires to be paid at the level of non-union shops. And they touted Obama’s bailout of GM and Chrysler, which bailed out the executives by slashing jobs, wages and benefits. Now Bob King has replaced Gittlefinger as head of the UAW. But he is promising the same misery, praising Gittlefinger’s sellouts and the auto bosses themselves.

The leadershiks of the postal workers’ unions is engaging in a similar sellout. Postal management is on a massive jobs cutting campaign, part of which is required forced relocations of workers hundreds of miles distant. Postal union officials are excited to mobilize workers to vote for the Democrats. But where are these worthies now? Are the helping rescue the postal workers? No. Conyers, Levin, Stabenow and Carolyn Cheeks Kilpatrick, all darlings of the union heads, are silent.

As the postal workers are being hammered, the national union leaders have refused any serious mobilization of postal workers. Here in Detroit, even after the rank and file voted to have a protest picket at a union meeting, the local APWU...
leadership opposed it and refused to endorse it. Theicket was a success anyway because the rank and file was excited to participate. Meanwhile the Detroit APWU leadership is conducting a slander campaign against postal worker militants who push for mass actions.

What the treachery of the class collaborationist union leadership shows is that the class struggle cannot go forward without the workers having their own independent voice and organizations. Militant workers and activists should produce their own literature, hold meetings for the rank and file, and build networks of various kinds among them. They must give workers a strong voice against the capitalists and help them expose the betrayals of the union leaders. Work should be done along this end within the union structures as well.

We call on activists interested in seeing the revival of a class movement among the workers to take up these tasks. Please visit the Communist Voice Organization literature table at the Social Forum so we can share our views on how to build an real class organization among the workers.

**Environmental activists vs. the Obama administration**

Today we are facing an environmental crime so massive and ghastly that it stuns the imagination. The Gulf oil spill by BP has exposed the fundamental agreement between the program of the sophisticated Obama and the Neanderthal, Sarah Palin: Drill, Baby, Drill! Even with his temporary moratorium, Obama refuses to give up on offshore drilling. His faith in the market to solve things led to no oversight of BP and other oil giants. And that’s why there was no real regulation by the “regulating” bodies. Despite outcries against BP, the administration has continued to rely on the polluters to clean up their colossal mess.

This reliance on the market is also what lies behind various liberal proposals to clean up the environment. “Cap and trade” regulations, which create a new trading market in permits to pollute, are supposed to curtail pollution, but experience shows they are a failure. A carbon tax on pollution is favored by Democrats like Al Gore, but it too relies on the market to repair environmental damage and for this reason won’t work.

What’s needed is serious regulation and planning. The capitalist governments here and abroad have balked at this, lest the capitalists be upset by such interference. And for there to be real enforcement and planning, there is a need for the working masses to put their imprint on this process, ensure transparency of the process, and insure that the needs of the masses are taken account of. Workers must be mobilized to be environmental stewards keeping an eye on every governmental measure. What we need is a working-class environmental trend.

**The class issues in fighting imperialism**

US world domination and militarism is taking a heavy toll on the world’s people and the working class youth who wind up in the armed forces. Besides the wars in Iraq and Afghanistan continuing on Obama’s watch, there are numerous US-backed brutal regimes, from Israel to Saudi Arabia to Colombia and so on. The fight against militarism is a class issue because they are wars on behalf of the corporations and because the masses pay the price of death, injury and through massive taxes to finance the war efforts.

There’s also the issue that in opposing US intervention, we must not shove aside the class struggle going on inside countries subjected to US invasions or bullying in the name of “anti-imperialism.” Unfortunately, this is a popular pastime in sections of the left. Take the issue of occupying Iraq and Afghanistan. The US tries to justify its own savagery and drive for domination by pointing to the horrible tyrants like Saddam Hussein or bin Laden and the Taliban. Now, we must go all out to oppose US imperialist wars and occupations. At the same time, this by no means requires us to dress up the local dictators in anti-imperialist colors. We must support the working people in these countries and their fight against their local oppressors. By no means does this mean undermining their fighting against US wars and bullying. Quite the opposite. The struggle against imperialism should not be a struggle to see the old thugs stay in power, but should be part of the effort to win freedom from tyranny itself. Yet, time and again, various leftist groups tout the local tyrants as a force worth supporting, since they are in conflict with the US.

This comes up on the Israeli-Palestinian conflict too. There are groups which swear to be for the just cause of Palestinian liberation from the Israeli Zionist rulers. But in so doing, they portray Iran’s aid to the likes of Hamas, the local government in Gaza, as a great thing. They do not pay attention to the fact Iran is not interested in liberation of the masses anywhere, as their brutal massacres during the last election there showed once again. They, and Hamas as well, are for a suffocating regime that drives down the masses. We must support the struggles of the Palestinian people and fight US aid to Israel. But on no account should this mean painting Iran or Hamas in pretty colors.

Working-class anti-imperialism means we must stand up against US domination of the world. It means we must bring out the capitalist nature of the warmongers who fight not for freedom, but profit. We should seek to build the anti-war activities in working class districts, workplaces and schools. The fight against war is part of the workers struggle here. Abroad, we should stand with the workers and poor in their efforts to fight US interference and war. But in so doing, we should encourage their efforts to organize against native oppressors. This is what will help give the anti-imperialist movement here a real class character.

**The building of a new society to replace capitalism**

As can be seen, the capitalist world is filled with endless horrors for the masses. This raises the question among workers and activists of getting rid of the whole present social order. After all, even with stronger mass movements, and victorious reforms, the capitalists will still be around trying to reverse any progress and crush the oppressed.

The class struggle in the future will therefore have to directly take on revolutionary tasks. At present the modest level of struggle and lack of class organization will not allow this. But what can be done today is for class-conscious workers and activists to organize themselves and bring revolutionary ideas to the workers in the midst of their current class battles.

In the future, workers will no longer just fight to improve their situation in some way, but will have to establish their own
political power. They must take power from the capitalists and suppress them. Stepwise, the working masses have to learn to run the governing bodies and other organizations from the local to the national level. And with this power they can stepwise end the capitalist economy, replacing it with social ownership of the economic enterprises. This will take a protracted period. But this period will create the conditions for ending exploitation and oppression and moving to a classless, communist society.

Well, that sounds nice. But what about what actually happened in the former Soviet Union, China, Cuba, etc.? In these countries there were mass revolutions that got rid of the old exploiters and brought some positive changes. But after a while these revolutions died and a new oppressive order was set up. The ruling party and state leaders became a new elite over the masses. The economic enterprises were often formally under the control of society, but various sections of the top managers and bureaucrats in fact controlled them, each elevating their own enterprises interests over those of society. The enterprises became part of a system of state-capitalism, where state-property dominated, but this state property ran along capitalist lines. This paved the way for the eventual privatization that took place with the collapse of the Soviet Union and the spread of private capitalism to China, Cuba and others. These societies in fact had nothing to do with socialism. But the US ruling class taught us all that that’s what they were. Unfortunately, a good deal of the left also holds up these societies as workers’ states or socialist, reinforcing a negative connotation for socialism.

Our trend, represented by the Communist Voice Organization, has long sought to clarify the differences between these fake communist societies and the teachings of genuine communism as found in Marx, Engels and Lenin. We consider it our communist duty to oppose the Stalinist and Trotskyist apologists for state-capitalism masquerading as workers’ rule. For us there’s no communism possible without opposing its revision by the leaders of the phony communist countries.

Come to the CVO table at the Social Forum to discuss these issues further with us!

Justice for John Williams!
Continued from page 70

vicious offensive of taking back previously-won democratic rights, affirmative action, wages and conditions, and social entitlements of all kinds. Meanwhile, in order to repress the inevitable rebellions against this, in the name of the “war on drugs,” and then the “war on terrorism,” they’ve expanded, militarized, and better organized the police and other law enforcement agencies to unprecedented proportions (that, they have money for). Thus, the prison population today is roughly five times what it was in 1980, as the ruling class tries to control a “surplus population” of workers and poor via the criminal justice system. And, since the 2007 onset of the Great Recession there has been a rise in police murders nationally, while the recent assassination of John Williams was one of a string of seven killings in a few weeks in Washington state.

Fighting back

The kind of massive and organized resistance needed to beat back the current capitalist onslaught has not yet broken out, which has much to do with the fact that the trade union leaders, “community leaders,” and others work hand in glove with the capitalists to prevent this. Nevertheless, the class struggle of the working people and oppressed is brewing. For example, in the last several years, crowds sometimes numbering in the tens of thousands have gathered at various relief sites around the country sometimes waiting for days in the hope of getting assistance or subsidized housing. When cops in riot gear have used Tasers and pushed the people around they’ve fought back, knocking down barriers and standing their ground.

Meanwhile, the struggles against police brutality and murders continue to flare up, with the potential for fueling each other. For example, the July large mass protests and rioting in Oakland after one of the murderers of 25-year-old African American Oscar Grant was given a slap on the wrist by the courts were followed by large September protests and rioting against the Los Angeles police murder of Manuel Jamines, an immigrant worker from Guatemala.

It’s in the interests of all working and oppressed people to support and join these struggles. They’re also a necessary component of building the overall movement against the racism, mass decimation coupled with handing $trillions to the Wall Street robbers, stepped up deportations, and imperialist wars of the Obama administration.

Justice for John Williams!
Jail Officer Birk!
Rally at Seattle Central Community College, (Broadway & Pine), 5 p.m. March downtown!

Seattle Anti-Imperialist Committee, October 18, 2010
www.seattleaic.org
mail@seattleaic.org
Struggle begins 26th year of developing proletarian revolutionary literature

Editorial of the Spring-Summer 2010 issue of Struggle, an anti-establishment literary journal oriented to the working-class struggle

by Tim Hall

Struggle greets its 25th birthday in a world wracked by harsh economic and political crises. Everywhere the rich capitalists are on an onslaught against the livelihoods and the very lives of the working people. Everywhere opportunist misleaders try to hobble the fight-back of the masses. Yet still we see a certain rebirth of mass struggles against the oppressive domination of the rich. Greek workers and students are battling fiercely against the austerity measures with which the European capitalists hope to make the working people pay for their crisis. Mass rebellions have been underway in Thailand, Kyrgyzstan, India and in Latin America. The Afghan people wage a difficult fight against U.S. imperialism as well as Islamic fundamentalism and other local reactionaries. Recently the Iranian people rose up against the fundamentalist Islamic dictatorship. In Turkey and elsewhere workers mounted massive May Day protests. In the U.S., on March 21 and again on May Day, immigrant workers and their supporters held large rallies and marches. Struggle's birthday, shadowed by oppression, is yet greeted with struggle. There is a search for a way forward. We hope this search will be reflected in rebellious creative literature.

Launched in 1985, for 25 years Struggle has been bringing revolutionary and progressive literature to disgruntled workers, students, professionals and others. Struggle has condemned the racist oppression of African Americans and other people of color and campaigned against the brutal anti-immigrant hysteria. Struggle has opposed sexism and other forms of oppression. Struggle has consistently attacked the imperialism and imperialist wars of the U.S. ruling class. Struggle has pointed sharply at the class domination by the rich monopoly capitalists, represented by both the Republican and Democratic parties, that underlies this variety of evils and attacked the exploitation of the working class in the U.S. and worldwide which finances this system of domination. And Struggle has managed to fire off some salvos at the sold-out union leaders who help the capitalists control the working class.

Through these oppressive decades Struggle has encouraged writers of all backgrounds and various levels of skill to create vibrant works that contend in different ways against the status quo. As Struggle's editor and an anti-revisionist Marxist-Leninist, I have put forward my views in editorials and have featured works that reflect vigorous class-struggle stands, but I have always tried to recognize other strands of genuine opposition to the establishment and have given them a place in the magazine. I oppose both Trotskyism and Stalinist revisionism in the name of a genuine socialism, and I stand against both the Democratic and Republican parties as well as their sold-out union leaders. But writers who do not fully agree with me but who create vigorous rebellious works have found and will find a welcome home in this magazine. Struggle has featured numerous African-American and Latino writers, many women, numerous prisoner-writers over the years and even a number of writers from other countries. Special-feature issues in recent years have considered the Katrina debacle, the immigration issue, and opposition to war and torture. And over the past four or five years Struggle has managed to maintain a web site carrying its main published content plus extra features (go to www.strugglemagazine.net).

On questions of artistic style and technique, Struggle has attempted to be open to a wide variety of approaches. We do not believe that any one style or form can be declared, in and of itself, to be more positive, progressive or class-conscious than others. We have tried to recognize the emergence of artistic experiments or of new content or of both -- in a wide variety of styles, but we have also welcomed use of traditional techniques. We regret that we have not been able to incorporate criticism very often into our content. The magazine is produced on a shoestring, in the free time of the editor who works a physical labor job, so it has been impossible to keep up with the various currents in writing today. We have just soldiered on, spreading and creating works that we hope open new ways of writing and inspire people to rebel.

Before 1993 Struggle was encouraged and partially subsidized by the Marxist-Leninist Party, USA, of which I was a supporter. After this party dissolved, I helped create the Communist Voice Organization, which has carried on and developed the MLP's trend. But since 1993 Struggle has had to support itself financially. This path has had many ups and downs, but each time that I sent a prophecy of doom out to the readers, writers and supporters, they have come through magnificently and the magazine has limped on. Most recently, our supporters responded wonderfully to the appeal that went out with the last issue and the magazine has enough in the bank to come out again and to have a big head start on a further issue. I want to thank all of our readers for this inspiring response. I hope the present issue justifies their efforts.

Struggle has attracted some wider attention lately. While we aim mainly at workers and activists, this new attention from scholars is a good thing as it may draw new readers and writers. Barbara Foley, one of the leading authorities on working-class (proletarian) literature writing today, has authored a very generous review of Struggle's efforts so far, focusing on three writers often featured in the magazine - Gregory Alan Norton, Paris Smith and myself. The review perceptively draws out many important and useful features of our work. It will appear in the online literary journal Reconstruction as part of its special issue on activism. (See Reconstruction at www.reconstruction.eserver.org). Barbara's review of Struggle, Proletarian Literature Today, is reprinted below [see http://reconstruction.eserver.org/103/Foley_01.shtml], with the kind permission of its author and the editors of Reconstruction.

October 25, 2010
Struggle

A magazine of proletarian revolutionary literature

Struggle is an anti-establishment, revolutionary literary journal oriented to the working-class struggle. It reaches out to “disgruntled” workers, dissatisfied youth and all the oppressed and abused and supports their fight against the rich capitalist rulers of the U.S. and the planet. It is open to a variety of artistic and literary forms and anti-establishment views. We welcome works with artistic power which rebel against some element of the capitalist power structure or against the entire system itself.

In the current Spring-Summer 2010 double issue, vol. 26, #1-2:

Editorial: Struggle begins 26th year of developing proletarian revolutionary literature, by Tim Hall

Review: Proletarian literature today, by Barbara Foley

Fiction: Superficial wounds
On the clock
Geisha Boy
Racisstein

Of goldfish and newborns
Transcend this: the shots heard ‘round the campus’,

Poetry: by [many authors]

Struggle’s editor is Tim Hall, an activist and Marxist-Leninist since the 1960’s. Struggle is a non-profit magazine, produced and distributed by the voluntary labor of a very few people. Struggle welcomes poems, songs, short stories, short plays, line drawings. Manuscripts will be returned if accompanied by a self-addressed, stamped envelope. It pays its contributors in copies.

$2 per single-size issue ($3 by mail), $10 for a subscription of four, $12 for four for institutions, $15 for four overseas, free to prisoners. Double issues, which are twice the normal length, cost more. So the current issue, which is a double issue, costs $4 from a vendor. Bulk discounts and back issues (on anti-racism, against the Persian Gulf War, depicting the postal workers’ struggle) are available. Checks or money orders must be made payable to Tim Hall—Special Account.

Struggle’s postal address has changed: it is now P.O. Box 28536, Joyfield Sta., Detroit, MI 48228-0536, or email Struggle at timhall11@yahoo.com.

Visit the Struggle website at Strugglemagazine.net!
Trotsky's failed legacy

Seventy years ago, on August 21, 1940, Leon Trotsky was viciously murdered by agents of the state-capitalist Stalinist regime in the Soviet Union. Trotskyist organizations have commemorated this by putting out new editions of Trotsky's works and otherwise promoting his legacy.

Trotsky declared that his views were an alternative to Stalinism. And the bloody repression of the Trotskyists by the Stalinist regime reinforced the idea that Trotsky must have been a serious alternative.

Yet the Trotskyist movement never established a viable alternative to Stalinist revisionism, and most of the Trotskyist movement believes even to this day that the Stalinist state-capitalist regimes were "workers' regime", even if repulsive ("degenerated" or "deformed") ones. Most Trotskyist organizations have also declared that diehard reactionary forces around the world are engaged in "anti-imperialist" struggle -- from the Taliban in Afghanistan to the clerical regime in Iran. They have also had expectations that the class-collaborationist labor bureaucrats and the reformist political leaders, despite their opposition to class struggle, would propel masses of workers into the class struggle.

The Russian revolution of October 1917 not only ushered in the first sustained effort to build a worker-run economy, but it brought Leninist theory to the most revolutionary section of working-class activists. Communist parties spread around the world; the working-class movement achieved its greatest revolutionary organization ever; and the working-class movement achieved its closest connection to the national liberation movement ever. But today, the rotten nature of the state-capitalist regimes that falsely declared themselves Marxist, as well as the long decline of the mass movements, have caused a crisis of revolutionary theory.

The Communist Voice Organization believes that the crisis of revolutionary theory must be taken seriously. Marxism-Leninism will revive as the banner of the militant working-class movement only if it deals with the new developments in the world situation as well as denounces the treachery of the state-capitalist regimes. This requires opposing both Stalinist and Trotskyist revisionism.

The CVO website contains many articles dealing with both Stalinism and Trotskyism and contrasting their views to those of revolutionary Marxism-Leninism.

Articles against Trotskyism and Stalinism
– available at the CVO website --

An outline of Trotskyism's anti-Marxist theories:
A four-part critique of the basic ideas of Trotskyism (www.communistvoice.org/00TrotskyOutline.html)
Also available as a pamphlet for $2 -- write CV, see address on inside front cover.

Against both imperialism and fundamentalism!
Against the Freedom Socialist Party's attempt to have it both ways in the class struggle, supporting both the Iraqi masses and their oppressors (www.communistvoice.org/42cFSP.html)

Against the pro-draft stand of the League for the Revolutionary Party
Hidden history of the communist movement:
Anti-militarism and the "armed nation". (www.communistvoice.org/37cHistory.html)

PREOBRAZHENSKY--ideologist of state capitalism
Does the existence of nationalized industry prove that a country is socialist? (www.communistvoice.org/17cPreo1.html)

And more ... at www.communistvoice.org/00Trotskyism.html

For articles against Stalinism, see
Stalinism -- state-capitalism in "communist" disguise (www.communistvoice.org/00Stalinism.html)

For articles on the economic nature of the Soviet Union see
Russia: the state-capitalism of the former Soviet Union and its relation to the market capitalism of today (www.communistvoice.org/00Russia.html)
### On the non-naturalness of value: A defense of Marx and Engels on the transformation problem (part one)

by Joseph Green

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The labor theory of value has historically given a tremendous moral authority to the working class struggle, and it has provided activists with a scientific analysis of many features of the capitalist economy. The Marxist elaboration of the labor theory of value gives insight into the basic way in which capitalist firms operate, the exploitative nature of capitalism, the origin of profit in surplus-value, the constant need of the working class to fight over and over again to maintain gains it thought it had achieved, and that ensuring that goods are always priced at their value wouldn’t emancipate the working class. So it’s not surprising, given the desire of pro-capitalist economists to defend the capitalist system, that most bourgeois economists have sought to discredit the labor theory of value. Many thought they had found the Achilles heel of Marxist economics in the discussion in vol. III of Capital of how the tendency towards the equalization of the rate of profit causes the prices of goods to systematically deviate from their value. They claim that the mere fact of this deviation refuted Marx, and fuss over minor defects in Marx’s presentation of the matter. This is the famous “transformation problem”.

This article corrects a defect in the mathematical side of Marx’s discussion of the transformation problem and modifies certain of the formulas he gave. In doing so, it doesn’t undermine, but strengthens the case for Marx and Engels’ overall view of the transformation process. Among other things, those mathematical results of the past, which have been taken as refuting Marx, turn out to be in line with the labor theory of value.

Most activists haven’t paid much attention to the controversy over the transformation problem. It has appeared to them as an obscure secondary issue. And in fact, this common sense attitude is quite reasonable. The basic proof of the law of value lies in the repeated verification of the basic features of capitalism that it explains, not in the precise calculation of prices of production. Moreover, most of the literature on the transformation problem hasn’t been very enlightening.

This article too will have some dry and technical matters. But I hope to express the main modification needed of Marx’s calculations with regard to the transformation process briefly and clearly. And I will also seek to connect the transformation problem to some present-day issues of importance in their own right:

- The persistence of the basic laws of capitalism despite their continually varying forms.
- The refutation of “true cost” pricing;
- The “vagueness”, and what Marx regarded as the “non-natural” nature, of all marketplace measures, whether financial categories or value.

### Introductory material

#### Some preliminaries

This section will run briefly through some basic formulas and concepts from the labor theory of value that are needed in discussing the transformation problem. The plan is to accustom the reader to the terminology and abbreviations used in this article, while leaving the reader to consult Capital for the precise
The value, or labor-content, of a product is the socially-necessary number of hours that go directly or indirectly into its production. This means not just the immediate labor used in the final stage of production, but also the labor embodied in the raw materials, the machines and workplace buildings, etc.\(^1\)

Thus, under very general conditions the exchange-value of a product (the average price over a period of time) will be its value, \(v\):

\[val = c + v + s.\]

Here lowercase \(c\) stands for a certain part of “constant capital” or capital invested in material goods rather than immediate, living labor. It is that part of the constant capital which is used up during the production cycle that creates the final product and whose value passes into the product. It consists partly of capital invested in goods that are completely used up in production: I’ll call this \(f\), because raw materials are one example of it. This is the “circulating constant” capital.\(^2\) And then there is the “fixed” capital (such as machinery, buildings, etc), or capital that lasts longer than a single production cycle and only gradually gets used up. I’ll call the value of the part of the fixed capital that gets used up in a single cycle \(w\), as it is the worn-out part of the machinery, buildings, etc. The value of the rest of the fixed capital is the “persistent fixed capital” which survives to serve in additional cycles of production, and I’ll call it \(f\) for “fixed”. So the total material capital, both fixed and circulating, used in production of the product is

\[f + w + r\]

But only the circulating part, \(w + r\), passes over into the value of the product, so

\[c = w + r.\]

\(v + s\) represents the hours of labor by the workers. The workers’ do not get back in wages a money equivalent for this entire value; instead, this value divides into two parts. \(v\) stands for the variable capital, which represents the wages which are paid to the workers. If the workers are paid the value of their labor-power, it represents the amount of value or labor-time presented by the goods needed for the sustenance of the workers and their families. It’s called variable capital as the capitalists see this part of their capital grow during the production process, in the sense that labor adds more to the value of the product than the value of the wages the workers receive from the capitalists. \(s\) stands for the surplus value, which is the excess of the value added to the product by the workers’ labor over what the workers get paid; this excess is appropriated by the capitalist. It is the profit made by the capitalist, if everything including the workers’ labor is bought and sold at its value.\(^3\)

Marx calls \(s/v\) the rate of surplus-value: it is the ratio of the amount of money made by the capitalist to what the workers are paid. Or more simply, it is an index of exploitation.

The rate of profit is calculated differently. It is calculated by comparison to the total capital employed by the capitalist in producing the object. So this is \(s/(f + c + v)^4\).

These formulas give rise to a curious result. If everything is bought and sold at its value, a capitalist’s profit is proportional to the amount of the variable capital, but has no relation to the amount of constant capital. Thus the more variable capital that is employed, the higher the total profit and the rate of profit, but with more constant capital, the profit stays the same and the rate of profit is lower. Thus the return on capital will differ from one enterprise to another. In this discussion, I’m assuming for simplicity that the rate of exploitation \((s/v)\) is the same for all capitalists. Then comparing two capitalists in different fields, who both used the same amount of total capital, the one with more workers would have a higher rate of profit than the one with fewer workers.\(^5\)

Thus the rate of profit will depend on the ratio between the constant and the variable capital used in production: this is what Marx calls the “organic composition” of the capital. A high organic composition is what is known in bourgeois economics as being “capital-intensive”, although actually variable capital is capital too, and a low organic composition is known as being “labor-intensive”. If prices averaged around their values, a high organic composition of capital would correspond to a lower than average rate of profit, and a low organic composition would correspond to a higher than average rate of profit.\(^6\)

\(^3\)More accurately, the surplus value is divided between that portion retained by the capitalists as their profit, and that part which is transferred to other exploiters, or to the use of the capitalist state, as rent, interest, and taxes.

\(^4\)One usually sees another formula here, just \(s/(c+v)\), not \(s/(f+c+v)\). That’s because, for many purposes, what Marx calls the “persistent fixed capital” is just a complication and can be left out in order to simplify the discussion. Moreover, when the persistent fixed capital is important, small \(c\) may be used to mean the full constant capital, which in this article is instead specified as \(c + f\). In Capital, \(c\) is used both ways, depending on context. However, because in economic crises like the ongoing depression, the depreciation of fixed capital becomes a major issue, it’s useful to make the point explicitly that \(f\) is not involved in the value of a product, but is involved in calculating the rate of profit.

\(^5\)This doesn’t mean that a capitalist can make more profit by hiring more workers than are needed to do the job. These formulas assume that the workers work at the average, or socially-necessary, rate of intensity, and only the necessary labor is employed. The value of a product doesn’t go up because excessive amounts of labor are used, and yet that extra labor has to be paid.

\(^6\)It might seem natural that a ratio involving the amount of living labor is called the “organic” composition of capital. But it might then be natural to think that a high organic composition should be “labor-intensive”, when in fact it is “capital-intensive”. I don’t know why Marx defined it in this way. Well, “organic” can mean something fundamental, rather than something living. And a fundamental of capitalist domination of labor is capitalist ownership of the means of production (continued...)
But if capital can flow from one field to another, then there will be a tendency for the rate of profit to equalize among capitalists. This requires that the prices be determined in a different way from what has just been described. For the rate of profit to tend to be equal, the prices of products should tend toward the so-called “prices of production” (pp). They are calculated as follows:

First one considers the cost-price (k) to the capitalist of producing some good. This is just c + v, which gives the cost of the materials used up in production plus the workers’ wages. If the general rate of profit is R, then the profit should be R times the total capital employed in production, including all the fixed capital, or R(f + c + v), which can also be written as R(f + k). Hence

\[ pp = k + R(f + k) = (c + v) + R(f + c + v) = Rf + (1 + R)(c + v) \]

Well, this formula has to be taken over the entire output of that particular item during a production cycle. To see this, consider the case of a machine that costs a million dollars producing hundreds of thousands of items during a production cycle, with a general rate of profit of 10%. Rf is $100,000, and Rf is only part of the price of production. So if one applied this formula to one item, it would seem to say that a single item costs more than $100,000. But in fact, if 200,000 items are produced with the help of this machine in the course of a production cycle, then one has that the total price of production of all these 200,000 items is more than $100,000. Well, that means that the term Rf only adds $.50 to the course of each item. That explains why expensive machines can be used to produce cheap products.

Alternatively, let N be the number of units of the product that the machine produces in a year. If one wants to use the formula with respect to individual units of output, one lets

\[ f = (value\ of\ machine) / N. \]

The important point about the formula for pp is that values and prices of production differ. This is the starting point of the transformation problem, as it shows that, if there is a tendency for the rate of return to equalize, the prices of products have to systematically deviate from their value or labor-content.

Adam Smith’s and David Ricardo’s transformation problems

The labor theory of value originated in the work of early bourgeois economists, such as Adam Smith and David Ricardo. Their work would at some points say that pricing was according to value, and at other points, that it was according to prices of production. This was only one of the contradictions that appeared in their work.

Since then, bourgeois economics has been unable to deal with this issue. Instead, it degenerated into apologetics for capitalist exploitation and gave up the labor theory of value.

Indeed, for a long time now bourgeois economists have mocked the theory of value. They claim one can avoid all the trouble and fuss surrounding the transformation problem if one throws away the concept of the labor value of a product and looks only at subjective preferences for products and their supply and demand. Accept this, and one will supposedly enter the realm of clear and straightforward economics. This claim might have a certain resonance among people sick of the widespread quibbling over the transformation problem.

Yet, despite such claims, bourgeois economics is extremely complicated and full of ever more elaborate and obscure mathematical formulae. Nothing was solved by throwing out value, and the issues involved were simply swept under the rug. As time went on, bourgeois economists discovered that their financial indices were subject to what they call the “aggregation problem”, the “index problem”, and even such an obscure term as “the Cambridge capital controversy”. They wrung their hands in many obscure and highly mathematical tomes about this, but when talking to the general public, they deal with these contradictions in a much simpler manner — they ignore them. But this takes us too far ahead of ourselves in this story. We’ll come back to the aggregation and index problems and the Cambridge capital controversy later in this article.

Marx and the transformation process

It was one of the strong points of Marx’s approach that he noted this and other contradictions in the labor theory of value as developed by Smith and Ricardo, and developed a more scientific version of it. He pointed out that the tendency to the equalization of the rate of profit leads to a systematic deviation of prices from values.

Unlike what is pictured by critics of Marxism, this was not a particularly hard step for Marx to take. He had always noted that exchange-value and individual prices in the marketplace deviated, both because exchange-value represented an average price under general conditions, and because monopoly, shortages, absolute (but not differential) land rent, government regulations, and so forth caused deviations from value. Marxist economics analyzed and explained these deviations using the law of value, and reached useful conclusions about them. What was different with respect to prices of production was only that here was a systematic deviation of a more universal character.

So it was natural for Marx to realize that the equalization of the rate of profit modified the way that the law of value was manifested in marketplace prices, but didn’t overthrow it. The transformation to “prices of production” results in the surplus-value exploited from the working class being redistributed among the capitalists: some firms, those employing capital with a high organic composition, would appropriate to themselves not only the surplus-value they exploited from their workers, but also some of the surplus-value sweated out of the workers by other capitalists, while those firms employing capital with a low organic composition would give up to other capitalists some of the surplus value they exploited from their own workers. Only for those firms employing capital of an average organic composition would profit and surplus value coincide.

Marx held that, nevertheless, the labor-value of commodities dominated the formation of prices of production; surplus-value explained the origin and size of profits and the rate of profit; and

\[^6\text{(...continued)}\]

and other constant capital. From that point of view, a high organic composition of capital would correspond to more and more constant capital per worker. I mention this sheer speculation on how the “organic composition” got named only in order to help the reader remember more easily what is a high organic composition, and what a low one.
changes in value were responsible for the main changes that took place in the prices of production. Thus volume III of *Capital*, which deals with the equalization of the rate of profit, showed that the conclusions reached in volumes I and II of *Capital* remained valid, while also bringing some additional features of capitalism into focus. Among other things, Marx pointed out that the sharing out of the pool of surplus-value among capitalists according to the size of their capital helps explain their class solidarity against the working class, as the extent of the profit obtained by an enterprise depends not only on what the individual capitalist exploits from the firm’s workers, but also on what all the capitalists, as a class, have exploited from the working class as a whole.

**The helper formulas for the transformation process**

In Volume III of *Capital*, Marx gave some formulas concerning the transformation process. They provide an intuitive approach to seeing how the transformation process works. These include the following:

* The sum of the prices of production in all spheres of production equals the sum of the value of all the products.
* The sum of the profits in all spheres of production equals the sum of the surplus value.
* He implicitly takes it that the rate of profit is the same if calculated in value terms or in terms of the prices of production.

He also sets forward that the prices of production can be calculated from the values by the formula I have mentioned above, which if the persistent fixed capital is taken for simplicity to be zero, is:

\[ pp = k + Rk = (1 + R)k = (1 + R)(c + v). \]

However, he also noted that “...We had originally assumed that the cost-price of a commodity equalled the value of the commodities consumed in its production. But for the buyer the price of production of a specific commodity is its cost-price, and may thus pass as cost-price into the prices of other commodities. Since the price of production may differ from the value of a commodity, it follows that the cost-price of a commodity containing this price of production of another commodity may also stand above and below that portion of its total value derived from the value of the means of production consumed by it. It is necessary to remember this modified significance of the cost-price, and to bear in mind that there is always the possibility of an error if the cost-price of a commodity in any particular sphere is identified with the value of the means of production consumed by it."

This means that the formulas given above have to be modified. I have defined various things, such as the constant capital, the variable capital, and so forth, with respect to their values. Now it is necessary to consider the same categories, but calculated according to their prices of production. So, for example, I am using \( c \) to refer to the value of the constant capital.

Let’s use \( c \) to refer to how much the constant capital costs when calculated according to the prices of production of all its components. In general, I’ll use underlining to indicate that a category should be calculated via the prices of production.8

Thus the formula for the price of production becomes

\[ pp = (1 + R)k = (1 + R)(c + v). \]

Marx held that the rate of profit is the same whether calculated in value terms or prices of production, i.e. that \( R = R \), so the above formula reduces to

\[ pp = (1 + R)k \]

(I’m using \( pp \) to indicate the approximate value for the price of production which results if one calculates with the values, and \( pp \) to indicate the precise price of production.)

Marx’s formulas provided an appealing way to approach the transformation issue. However, some of these formulas turned out to be only approximate, and later in this article I will show how they have to be modified. This doesn’t undermine Marx’s overall view, because these approximate formulas are only helper formulas, not key assertions. If their more accurate versions also back the key assertions, as in fact is the case, then these modified formulas strengthen, rather than weaken, the Marxist view of the transformation issue.

**Mathematical difficulties**

The fact that the more accurate formulas for prices of production involve underlined quantities gives rise to two mathematical difficulties which were used to cast doubt on the Marxist view of the transformation process. The first difficulty concerns calculating the prices of production in terms of value, and the second concerns some of the helper formulas.

To begin with, \( pp \) can be calculated easily and directly from the values via the formula \( pp = (1 + R)k \), but that is not so for the precise prices of production via the formula \( pp = (1 + R)k \). This is because the latter formula involves relations between the prices of production of different products, rather than relating the price of production of a single product to the values of other products, and it also requires finding the transformed rate of profit. So the second formula doesn’t directly give the price of production in terms of values.

In practice, one can probably obtain a suitable approximation fairly easily in most cases. Moreover, in any real economic situation, an approximation is indeed the best one can obtain. Marx, for example, noted repeatedly that there is only a tendency to achieve a uniform rate of profit, not an exact equalization of the rate of profit. And he also noted that various fields of production ended up left out altogether from the equalization of the rate of profit. These phenomena in themselves undermine the exactness of any formula based on assuming that the all rates of profit are equalized.

So it’s not clear why a precise formula is that important. In practice, one needs to know the general way in which the transformation from values to prices of production affects the distribution of profits among firms and affects what is produced.

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7Ch. IX: “Formation of a General Rate of Profit (Average Rate of Profit) and Transformation of the Values of Commodities into Prices of production” in Part II: “Conversion of Profit into Average Profit”, *Capital*, vol. III, pp. 164-5, Progress Publishers, emphasis as in the original.

8Marx didn’t use separate symbols to indicate whether he was evaluating something in terms of value or price of production. Instead, in certain passages on the transformation problem, where he thought the distinction had to be borne in mind, he would raise it explicitly.
and what is not produced. One also needs to know in what type of economic problems one can directly apply values, leaving aside the transformation to prices of production as an irrelevant complexity, and in what type of problems one has to consider this transformation. But one rarely needs to know the precise number of abstract labor-hours represented by any product.

However, some economists wouldn’t believe that value could determine the prices of production unless a more precise mathematical analysis was given. While I disagree with this, the point is moot, since it turns out that such an analysis would eventually be given.

But, as this analysis emerged, the transformation problem went into a new phase, because it turned out that some of the helper formulas were only approximations. Simple mathematical models of an economy were analyzed. Simultaneous equations were used to solve for prices of productions. It was determined that one could either set the total of the prices of production produced in all spheres or production to the total of the value of everything produced, or one could set the total of the profits in all spheres of production to the total of the surplus value in all spheres. But one couldn’t, except in special cases, have both these helper formulas of Marx satisfied: that is, they both couldn’t be completely satisfied — it wasn’t considered sufficient to have them both approximately satisfied. In this article, I will, unless otherwise noted, always take the total of the prices of production to be equal to the total of the values. This is always possible according to the mathematical models, and by doing this one avoids having to worry about defining the standard of money: the equating of the total prices to the total values accomplishes this automatically. The issue of defining the standard of money adds confusion and complexity to many discussions of the transformation problem, and yet is irrelevant to its solution.

The critics of Marxist economics took these developments as a refutation of the law of value, and a voluminous and obscure literature on this question has developed. Their point of view was that if the helper formulas weren’t exact, then Marxist economics collapses. It didn’t matter whether the formulas were a reasonably good approximation of economic life; such a question was not of interest to them. Instead they held that, unless these formulas were exact, the whole edifice of Marxist economics was without foundation. For example, if the sum of the profits in the whole economy wasn’t equal to the sum of the surplus value, it would show that profit was created in some other way than exploitation via surplus value.

This brings me to the end of the introductory material. In the next part of the article I will put forward a refinement of some of the helper formulas that ensures that they all are exact. This modification follows from a closer look at the law of value, rather than contradicting it. This should remove a theoretical objection to the law of value that was bothering some activists, and vindicate the Marxist approach. It also has some useful theoretical implications with respect to current controversies concerning “true value” and financial calculation.

### An overlooked feature of value

#### The money/value relationship and individual products

Marx pointed out that the equalization of the rate of profit required that products sell above or below their value, depending on the organic composition of the capital used to produce them. So if two items, A and B, both represent the same value, A might sell for $100, while B sells for $200. But this means that when one spends $200 in the marketplace, if one spends it on B, one gets a product with a certain amount of value, but if one spends it on A, one could buy two A’s for that $200 and thus take home products worth twice the value than if one were buying B’s. Thus, if things are selling at their price of production, the amount of value represented by a sum of money depends on what product is bought with it. To be more precise, it depends on the organic composition of the capital used in producing the item.

It’s useful to express this in mathematical symbols. If everything sold at its value, then the amount of value represented by a certain amount of money would be equal to

\[ \text{val}^{th} = L \cdot m \]

where \( \text{val}^{th} \) is the value measured in labor-hours, \( m \) is the amount of money in dollars, and \( L \) is the ratio of value to the price of an item. So \( L \) is how much value, measured in units of socially-average labor (abstract labor-time), is represented by $1. So if $1 represents 2 minutes of labor-time (1/30th of an hour), then \( L = 1/30 \text{ labor-hour per dollar} \); and if some product costs $15, then the value in labor-hours of that product is \( 15(1/30) = ½ \text{ an hour} \).

This formula has the inverse

\[ m = D \cdot \text{val}^{th} \]

i.e. the amount of money spent on items is so much times their value, where \( D \) is the ratio of the price to the value, with the value measured in labor-hours. \( D = 1/L \), represents how many dollars a product worth a socially-average labor-hour will sell for. Recalling that $1 represents 2 minutes, and \( L = 1/30 \text{ labor-hour per dollar} \), then \( D = 30 \text{ dollars per labor-hour} \), so a product with a value of 2 labor-hours would cost \( 2 \times 30 = 60 \text{ dollars} \).

When things are sold at their price of production, these formulas change, and in particular, they break up into many formulas. In these new formulas, \( m \) will be underlined to indicate that it refers to prices of productions. Depending if one is buying A’s or B’s, one has

\[ \text{val}^{th} = L_A \cdot \underline{m} \quad \text{or} \quad \text{val}^{th} = L_B \cdot \underline{m}.\]

More generally, one has

\[ \text{val}^{th} = L_{\text{product}} \cdot \underline{m} \]

where \( L_{\text{product}} \) is a number depending on the organic composition of the capital used to produce that particular product. \( L \) is the ratio of the value of product, measured in labor-hours, to the price of production. And similarly,

\[ \underline{m} = D_{\text{product}} \cdot \text{val}^{th}, \]

where \( D_{\text{product}} \) is the ratio of the price of production to the value.
of a product, measured in labor hours.

For example, recall that a single unit of A and a single unit of B both have the same value. Suppose that value is 5 labor-hours. Then, recalling that a single A costs $100, 5 = L_A \cdot 100$, so $L_A = 1/20 = .05$ labor-hour per dollar. Similarly, recalling that a single B costs $200, 5 = L_B \cdot 200$, so $L_B = 1/40 = .025$ labor-hour per dollar. Thus L, the amount of value represented by a $1, might average out at $1/30 = .033$ in general, but $L_A$, the amount of value represented by $1$ spent on item A’s, is $.05$, and $L_B$, the amount of value represented by $1$ spent on item B’s, is $.025$.

Similarly, D, the amount of money which an item with a value of 1 labor hour costs, might be $30$ on the average. But when one is buying A’s, $m = D_A \cdot val_A$, so $100 = D_A \cdot 5$. Thus $D_A = 20$, and one can similarly see that $D_B = 40$.

Thus in place of a single L, good for all products, there are a large number of $L_{prod}$’s, one for each product. And similarly for D.

Well, one might be buying quite a few different types of items with a sum of money, in which case one has

\[
val = L_A \cdot m_A + L_B \cdot m_B + L_C \cdot m_C + \text{and so on},
\]

where $m_X$ is the amount of money spent buying item X’s, and the total amount of money $m = m_A + m_B + m_C + \text{and so on}$. This could also be expressed also

\[
val = L_{\text{shopping basket}} \cdot m
\]

where $L_{\text{shopping basket}}$ is the average of the L’s for different items that is bought with the money, weighted according to how much money was spent on them.

For example, suppose one spends $300 to buy two items: one A and one B. Then the resulting value $val = .05 \cdot 100 + .025 \cdot 200 = 5 + 5 = 10$ labor hours. This could be expressed as $10 = L_{\text{shopping basket}} \cdot 300$, so $L_{\text{shopping basket}} = 1/30 = .033$ labor-hour per dollar, where $L_{\text{shopping basket}}$ thus represents some kind of average of .05 and .025. But suppose one had a different shopping basket of $500 which is to be used to buy three items: one A and two B’s. One could do a similar calculation and end up with $15 = L_{\text{shopping basket}} \cdot 500$, so $L_{\text{shopping basket}} = 15/500 = .03$, instead of .033. Thus $L_{\text{shopping basket}}$ depends not just on which commodities are in the shopping basket, but on how much of each commodity is there.

$L_{all}$ would be the L when the shopping basket includes everything. This is an L which is averaged out for the entire economy, so I might also call it $L_{\text{average}}$. The other L’s, or $L_X$’s, would vary, some being higher than $L = L_{\text{average}}$ and some lower. Similarly, the original D in this section is the same as $D_{all} = D_{\text{average}}$.

Marx and Engels pointed out that a capitalist economy never directly estimates values in terms of the number of labor-hours they represent, but instead makes this estimate indirectly in terms of exchanges between different products and money. And in discussing the transformation problem, in Capital and various other places, the amount of value is measured in money rather than hours. So it will be of use to discuss the variations in how much value is represented by a sum of money in terms of val, which differs from $val$ in that it is expressed in dollars. This is done by measuring labor hours by using the average amount of dollars represented by a labor hour. Thus

\[
val = D_{\text{average}} \cdot val
\]

Recall that I have been using, as an example, that $D_{\text{average}} = D_{all} = $30 per labor-hour. So, if something has a value of three-labors, then it can also be measured as a value of $30 \cdot 3 = $90 dollars. The difference between measuring value in abstract labor-hours or in the average amount of dollars represented by a labor-hour is like the difference between measuring distance in yards or feet. A certain length might be described as either 3 yards or 9 feet, and a certain value might be described as either 3 labor-hours or $90$.

Note that one uses the same $D = D_{\text{average}} = D_{all}$ as the conversion factor no matter what product’s value is being measured. The difference in dollars per labor-hour which occurs in prices of production are not reflected in val, as val is a measure of value, not of the price of production. In order to deal with the deviations caused by prices of production with respect to val another formula is needed.

To get this formula, recall that $val = L_X \cdot m$. And so $val = D_{all} \cdot val = D_{all} \cdot (L_X \cdot m) = (D_{all} \cdot L_X) \cdot m$. Now let $U_X = D_{all} \cdot L_X$. The result is that

\[
val = U_X \cdot m
\]

where val is the amount of value, measured in dollars, represented by the sum of money, $m$, used to purchase item X at its price of production, and $U_X$ is the ratio between the value and the price of production of the product X.

For example, recall that item A has a value of 5 abstract labor-hours. Its price of production, $m$, the amount of money needed to purchase it, is $100$. Also $100 = D_A \cdot 5$. So $D_A = 20$. But its value measured in dollars is $D_{\text{average}} \cdot 5$, not $D_A \cdot 5$, and $D_{\text{average}}$ was taken above as $30$ per abstract labor hour. So the value measured in dollars would be $30 \cdot 5 = 150$, not $100$. Now, from the equation $150 = U_A \cdot m$, it turns out that $U_A = 1.5$. $U_A$ being greater than 1, as it is here, means that the value of A is greater than its price of production. Thus $U_A$ is a measure of the deviation between prices of production and values; if $U_A$ is greater than one, the value is higher.

Now, item B also has a value of 5 abstract labor-hours, but its price of production $m$ is $200 = D_B \cdot 5$. Thus $D_B = 40$. But its value measured in dollars is $D_{\text{average}} \cdot 5$, not $D_B \cdot 5$, and $D_{\text{average}}$ was taken above as $30$ per abstract labor hour. So the value measured in dollars is $30 \cdot 5 = 150$, not $200$. And, from the equation $150 = U_B \cdot m$, it turns out that $U_B = .75$. This illustrates that $U_B$ being less than one corresponds to the value of B being less than its price of production.

If $U_X = 1$, then $val = m$, i.e. the value and the price of production are identical.

The inverse of the formula for $U_X$ (the ratio of value to price of production) would be a formula that gave the amount of $m$ for a given amount of val, rather than the amount of val for a given amount of $m$. Instead of $val = U_X \cdot m$, one would have $m = (1/U_X) \cdot val$. Define $T_X$ as equal to $1/U_X$, and the following formula results:

\[
m = T_X \cdot val
\]

where $T_X$, the ratio of the price of production to the value (measured in dollars), shows how much the price of an item is changed when one passes from values to costs of production. I use the letter $T$ here, for transformation, since the transformation problem is often regarding as finding the formula for the prices of production of things, given their values.

Well, the total of the prices of production for all spheres of production is equal to the total value, so $m_{\text{all}} = val_{\text{all}}$. But also $m_{\text{all}} = T_{\text{all}} \cdot val_{\text{all}}$, so $T_{\text{all}} = 1$. In general, $T_X$ will vary according
to the organic composition of the capital used in producing item A. $T_A$ is less than one when A is produced in a labor-intensive sphere of production, and greater than one in the capital-intensive situation.

By now, the reader may well be getting impatient. All this may appear as much ado about nothing. Surely, the reader may think, just about anyone who did much work on the transformation problem must have been aware of these simple formulas. Perhaps. Didn’t these theorists refer to the price-value deviations for various individual products? Of course. But they viewed the gist of the transformation problem as finding a way around these deviations, a way to aggregate them out of existence in the helper formulas by considering whole sectors of production rather than individual products. They generally didn’t want to ponder the significance of the fact, reflected in these formulas, that the value of a sum of money remained indefinite until it was exchanged for a product; they wanted to brush this aside.

There are, indeed, some things that might lead one to overlook this significance. For one thing, the different L’s (ratio of value to price) wouldn’t usually vary anywhere near as much as they do for the hypothetical items A and B above, where A had same value as B, though B costs twice as much. Moreover, usually a sum of money is spent buying many items, so the L for the entire sum of money (the aggregate L, so to speak), as the average of many constituent L’s, would come close to $L_{all}$ and the aggregate $T$ (ratio of price to value), as the average of many constituent $T$’s, would come close to $T_{all} = 1$. For this and other reasons, in most practical problems one can brush aside all these L’s, D’s, U’s and T’s.

Also, although this article is inspired by Marx and Engels’ work and vindicates their approach to the transformation problem, they didn’t talk about the relationship of price and value in quite this way. This article brings out an aspect of the Marxist analysis of value, namely a certain indeterminacy and vagueness in value, that was implicit in Marxism from the start, but Marx expressed it in different ways from what is said here. One way he did this was by stressing that value, the abstract labor-hour, was a category that glossed over the qualitative differences between different sectors of production and different products, differences which had to be taken into account in the economic planning of a classless society. I will come back to this point later in the article when I discuss Marx’s view that value is a “non-natural” category.

The relation of the total profits to the total surplus value

Now let’s apply these relations to the transformation problem. The equality of the total surplus value and the total profits is one of Marx’s helper formulas, and it is a formula which was challenged by subsequent mathematical work. A good deal of the literature on the transformation problem revolves around this question.

The mathematical models which are used to calculate the price of production from values specify that the total physical quantity of goods bought, when everything is priced at their value, by the capitalists with their profits remains the same when things are priced at prices of production. Each enterprise and sphere of production continues to produce the exact same products, and in the same physical amounts, as before. But these models allow the amount of the profits which any individual capitalist obtains to vary (which corresponds to a redivision of the surplus value among the capitalists). However, they don’t allow any variation in the total amount of goods which are bought by the capitalists as whole with these profits. But although the total physical amount of goods purchased by the profits are the same before or after the transformation from pricing at value to pricing at prices of production, the total price of this physical amount of goods changes (except in special cases). This result for the total profits expressed in dollars was obtained over and over again by mathematicians and economists.

Now, when goods are bought and sold at their value, the profit obtained by any firm is identical with the surplus-value which it extracts from its workers. So in that case, the total profits equals the total surplus-value. Thus the change in the total profits, from the situation where goods sold at their values to that where goods are sold at their prices of production, means that the total surplus value doesn’t equal the total profit (calculated at prices of production), except in special cases. And this directly contradicts Marx’s helper formula.

But Marx’s derivation of this helper formula implicitly relied on the idea that the variation of the $T$’s can be ignored. The idea is presumably that as the total profits come from all spheres of production, one can assume that $T_{total \ profits} = 1$, as $T_{all} = 1$. But while the profits may come from the factories and other workplaces in all spheres of production, enterprises that produce everything in the whole economy, the profits are spent only on a part of the output. The sum of goods indicated by the subscript “total profits” is not the same as the total economic output indicated by the subscript “all”. Thus there is no reason to assume that $T_{total \ profits} = T_{all}$.

For example, consider the following simple but often-used model of an economy with three sectors or spheres of production: one sector produces means of production, a second produces means of consumption, and a third produces luxury goods that are bought only by capitalists. Assume that the capitalists spend all their profits on luxury goods (this is a model of a static economy, which continues unchanged from year to year as the capitalists never invest in expanding production), and that only capitalists buy these goods. Then the mass of profits will correspond to the total output of these goods, and only these goods.

Thus the profits will be spent on one sector of production only, the third or luxury sector, and not on either of the other two sectors. Therefore $T_{total \ profits}$ will depend on the organic composition of simply one sector, that of luxury goods; in this model, $T_{total \ profits} = T_{luxury \ sector}$. And there is no reason that the sector producing luxury goods would have an average organic composition. True, in practice, in most real economies of any
substantial size and complexity, there might be good reason to believe that its organic composition didn’t differ that much from the other spheres. But there is no reason to believe that it would be precisely the same. So, except in special cases, $T_{\text{total profits}}$ wouldn’t be equal to one. This is the crucial point. But to express this clearly, a few additional formulas will be useful.

Let $S$ be the total surplus value produced in the entire economy, and in general I’ll use capitalized categories to indicate those that refer to the entire economy or to large branches of it. So, similarly, let $P$ be the total profits produced in the entire economy. In the economic models used in discussing the transformation problem, the total surplus value and the total profit refers to the same physical amount of goods, only the surplus value represents the total value of these goods, while the profits refer to the total of the prices of production of these goods. (In the case of the three-sector model I have been discussing, these goods are the total output of the luxury sector.) So $P$ and $S$, the total profits and the prices of production of the goods representing the surplus value, are the exact same thing: $P = S$.

Now, recalling that $T$ refers to a ratio between prices of production and value, the amount of total profits, measured in dollars, is given by the following formula:

$$P = \frac{S}{T} = T_{\text{luxury sector}} \cdot S.$$  

Or, to express it in a form which generalizes better,

$$P = \frac{S}{T_{\text{total profits}}} = T_{\text{total surplus}} \cdot S.$$  

Now, since $T_{\text{total profits}}$ is not equal to 1 in this model, except for the special case in which the sphere of luxury good production has the average organic composition, the total profits and the total surplus value differ when expressed in dollar terms.

But wait! How can the same physical amount of goods, the output of the luxury sector, be expressed by two different prices? It’s because the surplus value represents these goods priced as if all goods were priced at their values. But the total profits represents these same goods, when they are priced at their prices of production. And the whole point of the transformation process is that the price of production of commodities usually differs from their value.

In physical terms, and also in terms of value, the capitalists as a whole (not the individual capitalist) get the same total amount of profits before or after the transformation to prices of production. Individual capitalists may get more or less profits, whether in physical terms, value, or price, as the profits are redivided in order to obtain an equalization of the rate of profit. But the total profits remain the same in physical terms and value, and the difference in price reflects only the change from evaluating a certain quantity of goods by its value or by its price of production.

Marx’s view was that the total surplus value or total profits remained the same but was redistributed in a different way. That is so, as expressed in both value and physical terms. It is not exactly so when one measures by prices (except in the special case when $U_{\text{total surplus}} = 1$). But this modification of Marx’s helper formula doesn’t affect the overall deductions which Marx made with regard to the transformation issue.

Actually, since $U_{\text{total surplus value}}$ (and $T_{\text{total profits}} = 1/U_{\text{total surplus value}}$)

are probably usually both close to 1, the total profits and the total surplus value are probably approximately equal in most cases. But the issue raised in the transformation problem was that the slightest difference would, in principle, undermine the Marxist theory of surplus value by proving that some profits didn’t come from surplus value. That objection is overcome by the fact that this difference only reflects that the price of production and the value differ for the physical amount of goods in which the profits are realized, since the organic composition of the capital in the sphere of production producing these goods is not the same as the average organic composition for the whole economy.

This discussion has proceeded on the basis of a simple division of the economy into three sectors of production. However, the point being made is true in general. In any economy undergoing simple reproduction, the mass of goods can be divided into those which replace the means of production used up in the course of a cycle of production, those which are means of consumption for the workers during that cycle, and those which are purchased by the capitalists with their profits. But in a more general situation, those three masses of goods might not represent entirely distinct sectors of production: for example, the capitalists might buy with their profits, not just luxury goods, but means of production and consumption in order to expand production. Thus the organic composition of the capital that produces the goods bought by the profits won’t be simply the organic composition of the luxury industries, but a weighted average of the organic composition of the different spheres of production involved in producing the goods representing the mass of profits. That is the only change needed in generalizing from the simple model of an economy to a more realistic model. Even if the profits were spent on some goods from every sector of production, they still wouldn’t represent the total output of all these spheres, but only part of the output. Thus the weighted average of the organic composition of capital used to produce the goods represented by the profits still would only by accident equal the average organic composition of the entire economy.

Thus the law of value provides, in principle, a clear, precise, and simple relationship of the total profits and total surplus value. To get the exact formula for the relationship between the two expressed in dollars, one has to calculate $T_{\text{total surplus}}$. The precise formula turns out to be complex, and finding it requires careful mathematical calculation. But the overlooked property of value, the fact that the same amount of dollars can represent different values, what I call a certain vagueness or indeterminacy of value, clearly explains why the dollar figures for the total profits and total surplus value usually differ.

The rate of profit

The same considerations that apply to the total profits also apply to the total constant capital and the total variable capital. Just as the total profits only represents a fraction of the mass of products of the economy, the same goes for the total constant capital and total variable capital. We thus have that, measured in dollars, the price of the total constant capital differs depending on whether the goods making up that capital are priced at their value, or at their prices of production. The same goes for the variable capital. Hence, letting $V$ stand for the total variable capital and $C$ for the total constant capital, we have, not only
\[ P = T_{\text{total profits}} \cdot S. \]

but

\[ V = T_{\text{total variable capital}} \cdot V \]

and

\[ C = T_{\text{total constant capital}} \cdot C. \]

And the rate of profit calculated in value terms is,

\[ R = \frac{S}{(V + C)} = \frac{(T \cdot S)}{(T \cdot C + T \cdot V)} \]

Taking \( E \) to be the value of the entire mass of goods of the economy,

\[ E = C + V + S, \text{ and so} \]

\[ R = \frac{S}{(E - S)}. \]

The rate of profit calculated when using prices of production is, when one abbreviates \( T_{\text{total profits}} \) as \( T_p \), \( T_{\text{total variable capital}} \) as \( T_V \), \( T_{\text{total constant capital}} \) as \( T_C \), and \( T_{\text{total surplus value}} \) as \( T_S \),

\[ R = \frac{P}{(V + C)} = \frac{T_p \cdot S}{(T_c \cdot C + T \cdot V)} \]

Now, as the sum of the values of all products equals the sum of the prices of production,

\[ E = T_p \cdot C + T_V \cdot V + T_S \cdot S \]

and so another formula for \( R \) is

\[ R = \frac{(T \cdot S)}{(E - T_S \cdot S)}. \]

The formulas for \( R \) and \( T \) are different, and so the rate of profit calculated via prices of production usually differs from the rate of profit calculated via values. The two rates of profit will generally be reasonably close, since \( T_S \) won’t usually be that far from 1. But they will only be exactly the same in special cases.

**The modified helper formulas**

So the following formulas replace the helper formulas, modifying all those listed except the first one:

\[ E = E \text{ (the sum of the value of everything equals the sum of all the prices of production)} \]

\[ P = T_p \cdot S, \text{ not } S. \]

\[ V = T_V \cdot V, \text{ not } V. \]

\[ C = T_C \cdot C, \text{ not } C. \]

\[ R = \frac{(T \cdot S)}{(E - T_S \cdot S)}, \text{ not } R = \frac{S}{(E - S)}. \]

According to these formulas, there is no mysterious gain or loss of profits in going from the description of the economy via value to the description via prices of production, just a change in how much value equals how many dollars depending on the organic composition of the goods comprising the total profits. These formulas provide a suitable basis for the transformation process that Marx mapped out in Vol. III of *Capital*.

Moreover, for any large and complex economy, the various \( T \)'s are likely to be close to 1, so that the modified formulas are quite close to the original ones. The organic composition of any one product may differ from that of the average, but the organic composition of a gigantic sector of production, such as the sector of all means of production, is likely to have an organic composition rather close to the average for the entire economy.

But in any case, the objection to Marx’s formulas wasn’t that the observed aggregate quantities differed substantially from Marx’s formulas, but that any difference at all would supposedly undermine the logical basis of the theory of value. Thus the fact that differences would appear in the mathematical models of an economy were regarded as a refutation of the theory of value. The modified formulas, however, show that a certain deviation should be expected on the basis of the law of value. They therefore eliminate the contradiction between the past mathematical calculations and the theory of value.

**Caveats**

- The above way of writings the helper formulas brings out that their interpretation is simple in principle, but the actual formulas for the various \( T \)'s are quite complex. I haven’t gone into this because the precise formulas aren’t at stake, and many of the past calculations of them for various mathematical models seem to be correct. What has happened, however, is that the attention to the complex details of the \( T \)'s helped obscure the role that the \( T \)'s actually play in the transformation problem.

- When one averages the \( T \)'s to get a composite \( T \), one uses a weighted average. If, say, one is considering a collection of products, consisting of three products with prices of production \( m_1, m_2, m_3 \), then

\[
T_{\text{collection}} = T_{\text{prod1}}(m_1/(m_1 + m_2 + m_3)) + T_{\text{prod2}}(m_2/(m_1 + m_2 + m_3)) + T_{\text{prod3}}(m_3/(m_1 + m_2 + m_3)).
\]

- I have said that \( T_{\text{product}} \) depends on the organic composition of the capital used in producing the product. This statement is intuitively what is going on, but there is an added complexity. \( T_{\text{product}} \) represents the ratio of the price of production of something to its value. This clearly depends in large part on the organic composition of the product, because that determines how the price of production is related to the cost-price of the product. But, as mentioned earlier in this article, Marx pointed out that the cost-price of the product itself changes when one goes over to prices of production, and that change depends on the organic composition of the various components that go into producing the product. And it also depends on the cost-prices of those components, which in turn depends on the organic composition of whatever went into producing those components, and so on.

Thus the price of production depends on the organic composition not only of the product concerned, but also of all its components, and of anything that went into producing those components. In a modern complex economy, quite a lot is involved, directly or indirectly, in the production of any one product.

Thus, one could say that it depends on the full organic composition of the product. This is one reason why the formula for \( T_{\text{product}} \) can be quite complicated.

However, if one is concerned simply with how far one capitalist, due to the equalization of the rate of profit, obtains more or less profits than one might expect from his own exploitation of labor, then what matters is the organic composition expressed as the ratio of constant capital to the variable capital, evaluated in prices of production. And it seems to me that in practical problems, this is more likely to be what one is concerned about.

Nevertheless, three different organic compositions might end up being considered:

1. the organic composition evaluated in value terms,

\[ c_{\text{product}}/v_{\text{product}} \]

2. the organic composition evaluated in prices of production,
Using the equation $c_{\text{product}}/y_{\text{product}} = (T_{\text{c}} \text{ for that product}/T_{y} \text{ for that product}) (c_{\text{product}}/y_{\text{product}})$, and (3) the full organic composition, represented by $T_{\text{product}}$, A certain part of the literature on the transformation problem consists, essentially, of making a big fuss about the difference between the full organic composition and the organic composition. Oh horrors, it might occur in some special case that product $A$ has a higher organic composition than product $B$, but a lower full organic composition. That's conceivable, but not something of any special significance.

It might conceivably have been useful if the economists who worked on the transformation problem had considered finding useful approximations to the $T$'s; considered examples of when products had exceptionally high or low $T$'s, or examples of where the organic composition and full organic composition differed significantly; and looked into whether this had some useful significance in analyzing real economies. But the belief that the very existence of the $T$'s cast doubt on the labor theory of value resulted in the attention being focused simply on such things as whether, in principle, the discrepancy between the organic composition and the full organic composition overthrew Marxist economics.

Relation to some past results on the transformation problem

The recognition of the overlooked property of value makes sense of the previous results obtained on the transformation problem. Below I remark on a few of them.

The Bortkiewicz-Sweezy results

In 1907 the neo-Ricardian economist Ladislaus Bortkiewicz published a paper that showed, in the case of a simple economic model and by use of simultaneous equations, how to obtain prices of production from values. He also showed that, in general, either the total prices of production wouldn't equal the total value, or the total of the profits (calculated according to prices of production) wouldn't equal the total surplus value. He regarded this as an important part of his criticism of Marx and defense of Ricardo.

In his book The Theory of Capitalist Development (1942), Paul M. Sweezy popularized Bortkiewicz’s calculations. He used the three-sector model of the economy used above, where profits were spent on the luxury sector and only on the luxury sector. He held that the ability to obtain the prices of production from the values was an important verification of Marx’s transformation process.

But it wasn’t clear what his view was towards what I call the helper formulas. He appears to have thought it important to ensure that the total profits were equal to the total surplus value, but he let the total of the prices of production deviate from the total value by using a gold standard for money. He asserted correctly that in his system “only in the special case where the organic composition of capital in the gold industry is exactly equal to the social average organic composition of capital is it true that total price and total value will be identical.” This makes it appear as if he didn’t think the helper formulas (such as the equality of the total prices and the total value) would usually be satisfied.

However, he also claimed that one could overcome the deviations in the helper formulas, writing that “It is important to realize that no significant theoretical issues are involved in this divergence of total value from total price. It is simply a question of the unit of account. If we had used the unit of labor time as the unit of account [i.e. the standard for money] in both the value and the price schemes, the totals would have been the same. Since we elected to use the unit of gold (money) as the unit of account, the totals diverge.”

Sweezy’s claim that he could simultaneously achieve the equality of total prices and total values, and total profits and total surplus value, was wrong. What he failed to realize, or at least he certainly failed to point out, was that, in his system, if he had switched the money standard in order to ensure that the total prices equal the total value, then this would have upset the equality of the total profits to the total surplus value.

However, Sweezy immediately goes on to add that it doesn’t matter whether the total prices equals the total value, saying “But in either case the proportions of the price scheme (ratio of total profit to total price, of output of constant capital to output of wage goods, et cetera) will come out the same, and it is the relations existing among the various elements of the system rather than the absolute figures in which they are expressed which are important.” Sweezy is correct that it is not necessary to have all the helper formulas satisfied, but his reasoning is wrong. For one thing, he doesn’t prove, and it isn’t true, that all the relations (ratios) between the various elements of the system will remain the same. That depends on the organic composition of the different sectors of the system.

So it is rather confusing whether Sweezy thought that all the helper formulas could be satisfied, or whether he thought it wasn’t important to have them satisfied. In any case, it seems to me that what his calculations actually showed (as opposed to what he said about his calculations) was essentially that, for the simple three-sector economic model he and Bortkiewicz used, both the total prices would equal the total values, and the total profits equaled the total surplus value, if the luxury sector (on which, in the model he was using, profits, and only profits, were spent) had an average organic composition.

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13(continued)

to using this equation to set the standard of money. Sweezy, however, spends a good deal of attention on setting this or that standard for money.

After setting the total of prices to the total values, I then investigate whether the other helper formulas are satisfied, such as whether the total profits equal the total surplus value. Sweezy, by way of contrast, sets the total profits equal to the total surplus value, and then checks to see whether total prices end up equal to the total values.


15Ibid., p. 123, emphasis added.

16Ibid., emphasis added.
A similar view of his calculations (if not of his claims) is put forward in a survey of the transformation problem in the New Palgrave. Here it is stated that “Sweezy went beyond Bortkiewicz, and claimed that his solution would satisfy both of Marx’s claims. . . . Unfortunately, Sweezy’s success is a result of his assumptions. First, since surplus value is equal to the output of the luxury sector, setting this output equal to one in both prices and values ensures that total surplus value will equal total profit. The assumption of a socially average organic composition in the third sector [luxury goods] obtains the second condition [total prices of production equals total value].”

Thus the result of Sweezy’s calculations appears to be in line with the formula I have given above, namely,

\[ P = T_P \cdot \frac{S}{C} \]

which says that the total profits equals the total surplus value if and only if \( T_P = 1 \), i.e., if the capital producing the goods the profits are spent on has an average organic composition. (Since I always set the total prices equal the total value, the above formula says that both conditions — the equality of the total prices and total value, and of total profit and total surplus value — are satisfied if and only if \( T_P = 1 \).) Moreover, by deriving this result directly from the fact that a certain sum of money may represent different values, depending on the product it is spent on, I have shown that this result has nothing to do with playing with different monetary standards. Nor does it have anything to do with other special features of the Sweezy/Bortkiewicz calculations.

### Funny money, or the search for the golden numeraire

The Sweezy/Bortkiewicz calculations are relatively complex, and Sweezy’s claims about what they showed are rather obscure or even contradictory. So the thought seems to have arisen that he had satisfied the various helper formulas in the situation where the luxury sector had an average organic composition, and perhaps one could go further and satisfy them all in more general situations. This was particularly because Sweezy, following Bortkiewicz’s example, brought into the calculations the issue of setting this or that standard of money. In fact, the issue of trying different “numeraires” (standard basis for measuring money or value) introduces numerous mind-numbing complexities into the argument, while obscuring its essential features. Yet, for some academic economists, finding the proper numeraire took on something in the nature of the search for the Holy Grail.

As I have shown above, the basic feature of value that explains the modifications needed in the helper formulas has nothing to do with what standard one takes for money. Let’s look at some additional reasons why that’s so. Consider the two products, A and B, which were considered earlier in this article, which have the same value but different prices, A costing $100 and B costing $200. If we change the numeraire for calculating prices, if the standard of value is, say, reduced in half, then A will cost $200 and B will cost $400. The prices change, but the ratio of these prices remains the same. Similarly, if one changes the numeraire for values, the ratio of the values of two products remains the same as it was before.

Now what is the issue in the transformation problem? Ultimately, it is that A and B might have the same value, but different prices. Or, more generally, given two products X and Y, the ratio of their values, \( \frac{\text{val}_X}{\text{val}_Y} \), differs from the ratio of their prices of production, \( \frac{x}{y} \). This is the fundamental issue that gives rise to the need to modify the helper formulas. But the change in numeraires can have no effect on either \( \frac{\text{val}_X}{\text{val}_Y} \) or \( \frac{x}{y} \). No matter how they change, it is always going to be the case that

\[ \frac{x}{y} = \left( \frac{T_X}{T_Y} \cdot \frac{\text{val}_X}{\text{val}_Y} \right) = \left( \frac{T_X}{T_Y} \cdot \text{val}_X \right) / \text{val}_Y. \]

So even though changing the numeraire may seem to make certain formulas work right, it is bound to do so at the expense of creating a problem elsewhere with other formulas.

But when the numeraires are changed in the midst of calculations, what is happening gets obscured. It becomes easy to make such errors as inadvertently defining the standard of money twice, thus introducing inconsistency into the calculations.

### The so-called “new solution”

The so-called “new solution” was developed in the 1980s by a number of academic economists. Its focus is in ensuring that certain formulas, such as that the total profits equals the total surplus value, be maintained without modification. To do this, it makes use of two methods.

On one hand, it searches for a new numeraire. But, as noted above, this can’t by itself suffice. So on the other hand, the “new solution” redefines pricing for variable capital, and — in some variants — for constant capital. By having different pricing mechanisms for different categories of things, it can avoid the problem that setting a different numeraire doesn’t affect the ratio of the prices of different things. So the “new solution” involved arguing that its way of looking at the prices and values of variable and constant capital is better than the ordinary Marxist way.

Thus the “new solution” doesn’t look into the significance of the same sum of money representing different values, the issue for which I have introduced the L’s (ratio of value measured in labor-hours to price) and U’s (ratio of value measured in dollars to price), but continues the old path to hell of seeking to brush them aside. As a result, it has been subject to the criticism, among other things, that “in the set of ‘new solution’ prices of production the sum of the values of constant capital does not equal the total sum of its prices.” Of course, from the point of view of this article, the value of the total constant capital \( C = U_C \cdot C \), so it’s clear why C, the sum of the values of the constant capital, doesn’t usually equal \( U_C \cdot C \), the sum of the prices of production of the constant capital. But for the “new solution”, it’s would be a mystery why the value and price of production of the total constant capital should differ.

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Altogether, the “new solution” is a complex system that is obscure, arbitrary, and even differs among its advocates on important points such as how to deal with constant capital. One Marxist category after another is reinterpreted, supposedly in the name of Marx’s real intention. It saves one or two helper formulas by, in essence, sacrificing the content of the Marxist theory of value.

**Anwar Shaikh and the transfer between two circuits of capital**

Anwar Shaikh has some useful contributions to the transformation problem, such as his analysis of the iterative method by which prices of production can arise from values, which I hope to discuss in a continuation of this article, but he has also sought to explain the discrepancy between total profits and total surplus value through the idea of transfers taking place between “the circuit of capital and the circuit of capitalist revenue”.

In what Shaikh calls the circuit of capital, profit is reinvested to form new capital, while in the circuit of capitalist revenue, it is serves as “revenue”, something to be consumed by the capitalists. He wrongly believes that it is the diversion of profit to revenue that gives rise to the possibility of the discrepancy between total profits and total surplus-value. Thus he holds that this discrepancy can’t occur if all profits are reinvested as capital. He writes that this discrepancy “is the combined result of two factors. First, it depends on the extent to which the prices of capitalists’ articles of consumption deviate from the values of these articles... And second, it depends on the extent to which this surplus-value is consumed by capitalists as revenue... Where all surplus-value is consumed (as in simple reproduction), then the relative deviation of actual profits from direct profits [surplus-value] will be at its maximum. When, on the other hand, all surplus-value is re-invested (as in maximum expanded reproduction), then there is no circuit of capitalist revenue and consequently no transfer at all. Total actual profits must, in this case, equal total direct profits, regardless of the size and nature of individual price-value deviations.” (Emphasis added)

By way of contrast, the formulas I have given above make no distinction about whether the profit is re-invested or consumed as revenue. Those formulas attribute the discrepancy between total profits and total surplus value entirely to the organic composition of the goods represented by the profits differing from the average organic composition. It makes no difference whether the profits are used to expand the means of production or as revenue: if the organic compositions differ, then there will be a deviation between the total profit and the total surplus value. Moreover, these formulas also say that there are no transfers in physical or value terms among the total constant capital, total variable capital, and total surplus value (although there is a redistribution of surplus value in physical and value terms among individual capitalists): the difference between total profits and total surplus value only reflects different ways of measuring the same amount of goods.

Shaikh didn’t simply present a theoretical argument for his view of the two circuits of capital, but conscientiously sought to verify his argument about the transfer between two circuits by using a mathematical model of an economy and calculating the difference between the total surplus value and total profits. But the model he chose had some special properties. It assumed that the new investment in means of production and consumption was exactly proportional to the already existing means of production and consumption.

Shaikh points out that, in this model, when all the surplus value is devoted to reinvestment, and there is no revenue at all, then there is no deviation between total profits and total surplus value. And that’s right, but not for the reason Shaikh says. It’s not simply because there isn’t any capitalist revenue. It’s because, in his model, in the case where there is no revenue (a) this model would have only means of production and consumption, and (b) the goods purchased by the profits would be means of production and consumption in exact proportion to the already existing means. So, for example, if the economy grows 10%, then every constituent part of the economy grows 10%; so, in particular, the total constant capital grows 10%, and the total variable capital grows 10%. In this case, the surplus value, which consists solely of the added 10% in means of production and consumption, has the exact same organic composition as the economy as a whole. In this case, $T_s = 1$, and so total profits and total surplus value would be equal.

But suppose, while still assuming that all the surplus value was devoted to reinvestment, Shaikh’s assumption of proportional growth is dropped. Then, even though all of the surplus value went to reinvestment, if it was invested in an assortment of means of production and consumption that wasn’t proportional to that of the already existing means, then there would be a total profits/total surplus value deviation by an amount equal to the price-value deviation of the new means of production and consumption coming from the surplus value. I give an example of this in appendix 2. This refutes the claim that the total profits/total surplus value deviation can only come from the use of profits as revenue. It shows that even when there is no capitalist revenue at all, and hence no “circuit of capitalist revenue”, the total surplus value can deviate from the total profits.

Now, Shaikh used his model not just in the case when all profits went to reinvestment, but also when the profits were divided between reinvestment (which, in his model, was to be strictly proportional to the existing means of production and consumption) and capitalist revenue. Shaikh obtained a formula for the deviation between total surplus value and total profit that only referred to the revenue and not to the part of the surplus value that is realized as means of production and consumption.

Nevertheless, in actuality, even in this case, the total deviation between the surplus value and profits comes from the sum of two deviations — that coming from the amount of profits...
devoted to capitalist revenue (call this REV) and the amount of profits devoted to expanding the means of production and consumption (call this SMPC). True, Shaikh’s formula doesn’t refer explicitly to SMPC. But with a little algebraic manipulation of the formula, this can be seen as follows:

To begin with, restating the results of Shaikh’s model with the symbols used in this article, he obtained the result that \( P - S \), the difference between the total profits and the total surplus value, was \( (\text{REV} - \text{REV})/(1+g) \)

where \( g \) is the growth rate of the economy.\(^{22}\)

Here, at first sight, the total profits/total surplus value deviation depends only on the deviation resulting from REV, the capitalist revenue. This seems to verify Shaikh’s view. But note that the total profits/total surplus value deviation isn’t equal to the deviation between the price of production and value of REV. It is, as Shaikh himself notes, only equal to a fraction of it, to that deviation divided by \((1 + g)\). This means they’re unequal. This means that the total profits/total surplus value deviation isn’t composed simply of the price/value deviation of the REV, but that there is also another factor involved. And, with some minor algebra, we can see that this other factor involves the price/value deviation of the surplus means of production and consumption, SMPC.

Let’s see this in formulas. The total surplus value is composed of capitalist revenue, plus the surplus means of production and consumption: \( S = \text{REV} + \text{SMPC} \). And so the total profits equals \( P = \text{REV} + \text{SMPC} \). Subtracting one from the other, the result is

\[
\text{P-S} = (\text{REV-REV}) + (\text{SMPC- SMPC}).
\]

That is, the total profits/total surplus value deviation is the sum of the price/value deviation of the revenue and that of the surplus means of production and consumption.

Now, Shaikh obtained the result that \( P - S = (\text{REV} - \text{REV})/(1+g) \). This can be rewritten as

\[
\text{REV} - \text{REV} = (1+g)(P - S).
\]

And so

\[
\text{SMPC - SMPC} = (P - S) - (\text{REV} - \text{REV}) = (P - S) - (1+ g)(P - S) = -g(P - S).
\]

Dividing both sides by \(-g\), the result is

\[
\text{P - S} = -(\text{SMPC} - \text{SMPC})/g.
\]

Thus the total profits/total surplus value deviation can be expressed by a formula that involves only the surplus means of production and consumption, SMPC. Shaikh’s formula for \( P-S \) only involved the capitalist revenue REV, but this formula for \( P-S \) only involves SMPC. And both formulas are right.

What’s happening is that, in Shaikh’s model of proportional growth, REV-REV and SMPC-SMPC aren’t independent of each other. Instead, if you know the numerical value of one of these terms, you can calculate the numerical value of the other. In fact, \( \text{REV} - \text{REV} = (1+g)(P - S) = -((1 + g)/g) (\text{SMPC} - \text{SMPC}) \).

This is not always true. Usually, knowing the numerical value of SMPC-SMPC doesn’t tell one the value of REV-REV. But in the special economy that Shaikh considered, it does. And therefore, when considering this special economy, there is no significance to the fact that one of the formulas for \( P - S \) contains only REV and not SMPC. One can express the total profits/total surplus value deviation either in a formula containing only REV or in a formula containing only SMPC, as one chooses. The total profits/total surplus value deviation – in the special case of proportional growth – is proportional to the price/value deviation in revenue, but it is also proportional to the price/value deviation of the surplus means of production and consumption, so there isn’t a special role for revenue, not even in Shaikh’s model.

### The vagueness and indeterminacy of money

Above I have shown that the mathematical objections to the Marxist transformation process can be overcome by taking systematic account of the fact that the amount of value represented by a sum of money depends on what products are bought with it. This property of value could be described as a certain vagueness or indeterminacy of value: a sum of money might represent any of a range of values depending on what it is going to be spent on. On the average a sum of money — provided one doesn’t get cheated in the marketplace or cheat others — represents a definite value. So it appears that money should always have a definite and precise value. And in practice, for many economic problems, one can take it as always having a certain value. But when one looks closely, it turns out that a certain sum of money can represent different values.

The idea that value has some inherent vague and indeterminate features might be a shocking concept to those who aren’t familiar with it. The Marxist concept of value is often misunderstood, as a result of which it is widely felt that value can serve as a corrective to the ills of financial transactions. Indeed, some left-wing trends see socialist planning as planning in labor-hours.\(^{23}\)

And a prominent left-wing economist has advocated that the Venezuelan government shift money in the direction of being denominated in labor-hours as the way to deal with inflation and move towards ending exploitation.\(^{24}\)

The idea that value can be somewhat vague and indeterminate goes sharply against this. But it seems to be widely felt that to admit any vagueness and indeterminacy in value is not to vindicate Marxist economics and the labor theory of value, but to undermine it.

Yet value is not a socialist alternative to financial calculation, but a category that explains the underlying laws of the marketplace and financial calculation. The vagueness of value turns out to be a reflection of the fact that money and financial calculation have a similar vagueness. Indeed, bourgeois economics has had its hands full trying to shove this back under the rug, and seeks to hide the indeterminacy of its calculations in obscure terminology and complex mathematics. Once one understands the vagueness and indeterminacy of money, it makes it easier to understand the properties of value and the Marxist view of the labor theory of value. In contrast to the bourgeois economists, Marx directly referred to value and price as “non-natural” properties of products.

\(^{22}\text{See the three-part series “Labor-money and socialist planning” in Communist Voice for a refutation of the idea of labor-money or of the labor-hour being a natural unit of socialist calculation. (www. communistvoice.org/00LaborHour.html).}\)

Inflation

Common sense might at first seem to lead to the conclusion that if an economic category, such as value, has some vague and indeterminate features, then it must be a mistaken category, a chimera that doesn’t really exist. So let’s look at inflation. Surely no one will deny that inflation is a real phenomena, something that affects everyone. Even today, when unemployment, speedup, and wage-cutting are ever-more-terrible causes of growing insecurity and mass misery, no one can forget inflation in health care, education, and food costs either.

But how does one measure inflation? If there were only one product on the market, it would be easy. The cost-of-living index would simply track how far that product increased or decreased in price.

But there are many products on the market. They don’t all change their prices in the same way and to the same amount. Some may even go down as others go up. The cost-of-living index has to be an “aggregate” index, that lumps together the different changes that take place in the cost of different products into a single, averaged-out figure. But one can’t just give equal weight to all the products: a product that is rarely used shouldn’t count as much as something that one needs a lot of. So one has to use a weighted average.

But different people buy different market-baskets of goods; people use different goods in different areas (and they are often priced differently in different areas); and as goods become more expensive, people shift from goods they can no longer afford to cheaper ones. Does one calculate a weighted average based on the assortment of goods people bought in the earlier years, or the later years? When things were cheaper or when things were more expensive? All these things, and more, cause problems in preparing the proper average for the cost-of-living.

Perhaps the reader thinks that I am making a mountain out of a molehill, and that really, for crying out loud, all these complexities can be overcome. But take a look at the New Palgrave Dictionary of Economics, a massive reference work prepared by eminent bourgeois economists.25 Its entry on inflation states that “Since there are many different ways of measuring prices, there are also many different measures of inflation.”26

In other words, there is no one accepted way of defining inflation. Thus vagueness and indeterminacy creep into so basic

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25 The New Palgrave: a Dictionary of Economics, 1987, first edition, edited by John Eatwell, Murray Milgate, Peter Newman. The second edition appeared in 2008, but I don’t have access to it. The New Palgrave: Marxian Economics, referred to earlier in this article, is one of a series of volumes that consisted of reprints of those of the articles that bore on a certain subject. The introduction of that volume grandly proclaimed that The New Palgrave “is the modern successor to the excellent Dictionary of Political Economy edited by R.H. Inglis Palgrave and published in three volumes in 1894, 1896 and 1899. A second and slightly modified version, edited by Henry Higgs, appeared during the mid-1920s.” It also pointed out that the authors of the various entries had their own, differing views. Although it asked its contributors to be fair-minded, it didn’t try to suppress the differences among them. Instead it sought a balanced (but bourgeois) viewpoint on economies through the total sum of all the entries, not through any one of them.


and clear a concept as inflation. As an example of this, even after decades of preparing the Consumer Price Index, it continues to be revised. Some of the pressures to revise the CPI are political, as now when the ruling bourgeoisie doesn’t want to pay cost-of-living raises to workers or Social Security recipients, and so wants to minimize the cost-of-living index. But it’s also true that there are legitimate questions about how to maintain the CPI.

Continuing with The New Palgrave on inflation: “The most commonly used measures in the modern world are the percentage rate of change in a country’s Consumer Price Index or in its Gross National Product deflator.” If one follows up on this by looking at the entries for national income, creating an index, inflation accounting, and similar topics, one will find references to more and more ambiguities in the concept of inflation, and to more and more competing and complicated mathematical formulas.

Despite these complexities, it’s clear that not only is inflation a real phenomenon, but it’s possible to prepare price indices that are good enough for many practical purposes. This is true for comparing prices over a relatively short period of time, and in an economy whose overall structure hasn’t changed substantially during this period. But, and this goes against common sense intuition, one will need different price indices in different situations, or even for measuring different aspects of inflation in just one situation.

From the point of view of mechanical materialism, any category which doesn’t have a precise value — in principle, even if one only knows the value approximately in practice — is suspect. But from the point of view of dialectical materialism, such categories exist and are widespread. Social behavior, such as marketplace behavior, is arbitrary and indeterminate with regard to an individual’s decision, but has an iron logic of its own when a mass of people take part. And such things also take place in the physical world. In quantum mechanics, categories such as position, velocity, mass, energy and even time lose some of their precision and become, in a sense, vague and indeterminate except during times of “collapse of the wave function”, when they are precisely measured. Ironically, it’s only by taking account of this indeterminacy that quantum mechanics is able to achieve great precision in its calculations.

The index problem

The problem of creating a price index and defining inflation is a special case of what’s called the “index problem” — the problem of finding a single numerical figure that represents the reality of several qualitatively different things. One can easily measure the increase or decrease of price of a single product in a single market: it’s when one has to construct an index to keep track of all of them combined, that the problem arises. And the index problem is theoretically unsolvable. By that I mean, one can construct indices that are useful within limits, but one can’t construct a perfect index. If one needs precise enough information, one will end up having to use many indices, such as the inflation indices in different cities, or the inflation for producer goods as opposed to consumer goods, or — as one sometimes sees in the newspaper — the figure for the core inflation minus energy costs, etc.

This problem is not peculiar to inflation, but comes up in the
preparation of index numbers in general. Take a look at the entry for “index numbers” in *The New Palgrave*: it refers to a variety of competing indices; goes on for fourteen pages; refers to the most abstruse mathematics; and includes a huge bibliography of over a page.27 However voluminous the literature on the transformation problem may have been, the literature on the index problem dwarfs it; however obscure the material on the transformation problem may have been, the index problem, as discussed by bourgeois economics, reaches similar depths of obscurity; and the index problem will never go away, because while indices are necessary and useful for certain purposes, there never will be one perfect index, or perfect way of preparing indices, good for all situations and completely accurate. A single number (or scalar quantity) simply can’t reflect the full reality of inflation, or productivity, or other economic categories. This isn’t simply because the statisticians lack sufficient knowledge of the economy: it’s because in principle, even if the statisticians knew everything, any single index they prepared could only be approximately accurate, and even that only within a limited range. Reality is multi-dimensional; indices are one-dimensional. *The New Palgrave* doesn’t say in so many words that the index problem is, in principle, unsolvable, but that’s what the huge length of the entry on index numbers testifies to.

In practice, this problem comes up with respect to the most common economic categories, including measuring the size of the national economy, measuring efficiency, and so forth. The entries of *The New Palgrave* on these subjects describe competing systems used for various measurements or even refer directly back to the problem of index numbers.

The aggregation problem

If measuring inflation is one aspect of the index problem, the index problem in turn is one aspect of the so-called aggregation problem, that of combining qualitatively different things into a single category. For example, such categories as “capital” or “consumer goods” group together many different products. When such aggregate categories are created, there is generally an attempt to measure them by adding together the cost of all their parts, or by using some other way to create an index.

The entry in *The New Palgrave* for the “aggregation problem” raises the issue of whether such overall concepts have a real meaning at all:

“Microeconomic theory elegantly treats the behaviour of optimizing individual agents in a world with an arbitrarily long list of individual commodities and prices. However, the desire to analyse the great aggregates of macroeconomics — gross national product, inflation, unemployment, and so forth — leads to theories that treat such aggregates directly. What is the relation of such theory (or empirical work) to the underlying theory of the individual agent? When is it possible to speak of ‘food’, rather than of ‘apples, bananas, carrots, etc.’ When can one treat the investment decisions of all firms together as

though there were a single good called ‘capital’ and all firms were a single firm?

“Such results show that the analytic use of such aggregates as ‘capital’, ‘output’, ‘labour’ or ‘investment’ as though the production side of the economy could be treated as a single firm is without sound foundation. This has not discouraged macroeconomists from continuing to work in such terms.”28

This discusses the aggregation problem from the standpoint of an establishment economist who is in love with bourgeois microeconomics.29 It also displays the standpoint of mechanical materialism, according to which general categories such as “food”, “capital”, and “investment” aren’t meaningful if they can’t be handled as one-dimensional mathematical entities.

The Cambridge capital controversy

A special case of the aggregation problem, the validity of the concept of capital itself, was debated in the so-called “Cambridge capital controversy”. It is referred to in a subsection of the entry on “capital theory: debates” in *The New Palgrave*. At one point, in discussing the neo-Ricardian Piero Sraffa’s view of the matter, it points out that he believed he had “destroy[ed] the foundations of those versions of the traditional theory that attempted to define the conditions of production in terms of production functions with ‘capital’ as a factor. Moreover, as regards the concept of the ‘capital endowment’ of the economy conceived as a value magnitude, the same ‘real’ capital may assume different values depending on the level of r [rate of profit — JG]. Sraffa concludes that these findings ‘cannot be reconciled with any notion of capital as a measurable quantity independent of distribution and prices’.”30

Thus Sraffa held that the usual aggregate measure of the total capital was faulty, because its numerical value would differ depending on the general rate of profit in the economy and the division of wealth between workers and capitalists. So in Sraffa’s view, any real measure of the total capital in an economy was of a somewhat vague and indeterminate nature (these were probably not the terms he used) until the rate of profit and other issues were specified.

Marx, the aggregation problem, and value as “non-natural”

It is one of the strong points of Marx’s version of the labor theory of value that, although he didn’t use the present-day terms of “index and aggregation problems”, he raised the basic issues behind them. He did this via making the distinction between abstract and concrete labor a key point of the theory of value.


29He also seems blissfully unaware that bourgeois microeconomics itself uses a number of aggregated quantities, although it emphasizes different ones from macroeconomics.

Concrete labor is the labor of this or that individual, performed at a certain time and place, with a certain level of skill, and a certain intensity. By way of contrast, abstract labor is human labor in general, an aggregate category that encompasses the individual labor of different individuals, in different branches of industry, performed in different locations, and with different levels of skill. One hour of concrete labor is different qualitatively from another, and produces a product which is qualitatively different from that produced by another hour. Such hours are not interchangeable: a particular type of labor is needed for a particular purpose. But abstract labor-hours are identical and interchangeable: one can be exchanged for another, and in fact is so exchanged in the form of money.

Marx pointed out that the marketplace, by equating concrete labors, turns them into abstract labor, and strips them of their particular properties. He wrote in *Capital* that

“...as use-values, commodities are, above all, of different qualities, but as exchange values they are merely different quantities, and consequently do not contain an atom of use-value.

“If then we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labour. But even the product of labour itself has undergone a change in our hands. If we make abstraction from its use-value, we make abstraction at the same time from the material elements and shapes that make the product a use-value; we see in it no longer a table, a house, yarn, or any other useful thing. Its existence as a material thing is put out of sight. ...there is nothing left but what is common to them all; all are reduced to one and the same sort of labour, human labour in the abstract.”

Marx pointed out that abstract labor has a purely social existence: it is not a material entity, but is created by marketplace exchange. He pointed out that when, by exchange, one equates, say, a certain quantity of iron to a certain quantity of sugar-loaf, the result “represents a non-natural property of both, something purely social, namely, their value.”

Thus measuring things in abstract labor, or aggregating a group of things by adding together their cost (the quantity of abstract labor they contain), eliminates the specific nature of things. Thus the total cost, the financial index, is not a “natural” property of things, and it obscures the qualitative features of things that must be taken account in natural planning. Neither price nor value are natural properties of material objects, but social properties, in particular, marketplace properties. Marx referred to the difference between planning taking account of qualitative differences on one hand and marketplace exchange via abstract labor (money) on the other, as follows:

“...Thus, economy of time, along with the planned distribution of labour time among the various branches of production, remains the first economic law on the basis of communal production [production in a classless and moneyless society — JG]. . . . However, this is essentially different from a measurement of exchange values (labour or products) by labour time. The labour of individuals in the same branch of work, and the various kinds of work, are different from one another not only quantitatively but also qualitatively. What does a solely quantitative difference between things presuppose? The identity of their qualities. Hence, the quantitative measure of labours presupposes the equivalence, the identity of their quality.”

So Marx saw that measuring things according to a single index (which is the same as seeing nothing but the quantitative difference between things) results in slurring over and overlooking their qualitative differences. This is a clearer and more general presentation of the index and aggregation problems than is common in present-day economics.

A social and non-natural category is still a real category

Marx elaborated on the social character of value in his famous analysis of commodity fetishism. He pointed out that price and value represent social relationships between people disguised as relations between objects. This is important because if value were a relationship between objects, it would be something eternal, something that will exist so long as humanity needs to deal with material objects. But if value is a relationship between people, then its role will last only so far as the particular social conditions giving rise to this relationship, namely marketplace relationships, exist.

But Marx, as a dialectical rather than mechanical materialist, didn’t write off social relationships as something that didn’t really exist. The fact that money and value represent social relationships and that they are non-natural doesn’t mean that they are arbitrary categories or fraudulent ones (although fraud does play a big role in the accumulation of many capitals). Marxism doesn’t hold that abstract labor, though subject to the aggregation problem (the blurring of qualitative properties), doesn’t exist. On the contrary, the goal of capitalist production is to produce surplus value and increase capital. The fact that value and capital are subject to the index and aggregation problems doesn’t destroy their use as categories for certain purposes: on the contrary, it’s the strong point of Marxist economics that it points out the key role that these aggregate quantities play in capitalism, and it’s the rule of these aggregate quantities that is the law of value, the law of the devastation of the working class and of the environment. Marx both pointed to the central role of these aggregate quantities, and analyzed their particular nature, the particular contradictions that were inherent in them.

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32 *Ibid.*, vol. I, Chapter I, section 3, Subsection 2.2.3.

Money illusion and value

But for most of those working on the transformation problem, value was implicitly a natural — almost a material — category. The modification of the helper formulas requires explicitly dealing with a certain indeterminacy of value, and this goes against the strong feeling that the value of a sum of money should be as well-defined as the mass of a particle.

The New Palgrave has an entry on what it calls “money illusion”: “The term money illusion is commonly used to describe any failure to distinguish monetary from real magnitudes. It seems to have been coined by Irving Fisher, who defined it as ‘failure to perceive that the dollars, or any other unit of money, expands or shrinks in value’. . .".34

But the widespread money illusion in capitalist society goes way beyond simply forgetting at times to correct prices for inflation. It’s the belief that monetary indices have a real, essentially physical meaning. Bourgeois economics restricts the idea of “money illusion” to some technicalities, while promoting money illusion overall. For example, take the work of William Nordhaus, an eminent neo-liberal economist working on environmental models. He’s confident that he can evaluate the costs and benefits of environment action for decades in advance via setting discount rates and elasticities in a financial spreadsheet. It never strikes him that financial indices are impotent with respect to major changes in the infrastructure and the environment. Money illusion has reached the point where bourgeois economists think that financial fantasy can make up for their lack of knowledge about future technology as well as the limits of our knowledge about how the global climate works.35

But money illusion doesn’t exist only among the neo-liberals. It gets carried over into the transformation problem in the belief that value, which is simply the essence of pricing, has such a meaning.

Living under capitalism, we have to buy and sell all the time. We need to be vigilant to buy and sell things at their value: we don’t want to be cheated, and we don’t want to cheat other workers who we may be dealing with. The idea that commodities have a definite and proper value is beaten into us 24/7, by everyday practice. And this suggests that things would be fine if only everything, our labor as well as the things we buy, were bought and sold at their proper value.

But Marxist economics says otherwise. The law of buying and selling things at their value is the law of enslaving people to the marketplace; it is the law of an obsolete economic system that must be replaced by something new. Thus true Marxist economics uses value to show the contradictions of capitalism and money, not as a model of what prices should be to have good things happen. From this point of view, it is not surprising that if money is subject to the index and aggregation problems, then these contradictions should be reflected in value as well.

The transformation problem is in essence a form of the aggregation problem: the simple formulas for value work properly if all spheres of production have the same organic content, but one has to aggregate with spheres of other organic content. And I have shown that the modifications needed to the helper formulas involve recognizing that a sum of money has an indefinite value unless the products which will be bought with it are specified. This in turn is a reflection of the fact that the aggregation and index problems show that money has indefinite and indeterminate features. It is a reflection of a certain vagueness and indeterminacy of money, as well as of value, that a sum of money has an indefinite value until the products which will be bought with it are specified.

True-value pricing and the non-natural nature of value

At one time the idea that pricing things at their true value would liberate the working class was common. Today the idea of true cost pricing is promoted most often with respect to the environment. The idea is that if only carbon fuels were priced at their true cost, then marketplace forces would take care of restricting their use and providing for alternatives.

Marx’s idea was quite different. He held that it was the lack of overall economic planning that resulted in the devastation of the environment. He didn’t look to a reformed marketplace as the way to deal with either environmental devastation or working-class misery, but to conscious planning by a humanity which was liberated from the marketplace and from the private ownership of the means of production.36

The aggregation and index problems strongly suggest that prices, no matter how they are adjusted, can’t deal with the environment. An aggregate index, such as price, slurs over the particular features of each individual thing that it is supposed to measure. If a price measures the amount of carbon emissions, then it can’t also measure the socially-necessary labor needed to produce a product. If it tries to measure both, then it is subject to the aggregation problem, and it can’t really measure either adequately. This is not the only reason why relying on market measures to solve environmental issues won’t work; it might not even be the most important reason; but it does help undermine as “money illusion” and commodity fetishism the search for the “true prices” that will supposedly result in marketplace forces respecting the environment.

Marx and Engels analyzed the contradictions in value, and showed how the law of value leads to class exploitation and environmental devastation. But the widespread misunderstanding of value that existed in Marx’s day and still today, is that value overcomes the contradictions of capitalism, and that the marketplace has contradictions because it departs from value. From that point of view, the idea that value could be vague and indeterminate in any sense seems like a slap in the face to the honor of value, a denial of its importance for analyzing the

35For more on money illusion in establishment environmental economics and on the type calculations in Nordhaus’ book A Question of Balance: Weighing the Options on Global Warming Policies, see “Market lunacy: the use of financial calculation to answer material questions” in “THE CARBON TAX: Another futile attempt at a free-market solution to global warming” in Communist Voice #42, August 2008 (www.communistvoice.org/42cCarbonTax.html).
36See “Marx and Engels on protecting the environment” in Communist Voice #40, August 2007 (www.communistvoice.org/40cMarx.html).
capitalist economy. But from the Marxist point of view, it means that value accurately reflects the contradictions inherent in money and marketplace exchange.

**Appendix 1: List of abbreviations and formulas (roughly in order of appearance)**

**val** stands for value, the socially-necessary amount of labor to make a product or, as the case may be, to make the total amount of products in some sector of production.

**c** stands for “constant capital”, that is, capital invested in other things than immediate, productive, living labor. This is the material means of production, such as raw materials, machinery, buildings, etc. However, the constant capital is divided into two parts: circulating constant capital and fixed capital. Depending on context, in this article and in Marx’s Capital, c can mean either circulating constant capital or the total constant capital.

**r** stands for the part of capital that is invested in goods that are completely used up in the production cycle, the circulating constant capital. I’ll call it r because raw materials are one example of it.

**Fixed capital** is the part of the constant capital that isn’t completely used up during a production cycle, such as machinery, buildings, etc. These things usually deteriorate somewhat in a single cycle. So the value of the fixed capital has two parts: the amount that has worn out in a production cycle and thus passed its value to the product, and the part that remains unchanged, the “persistent fixed capital”.

**w** is the part of the fixed capital that gets worn-out in a single cycle – the part of the machinery, buildings etc that gets worn out.

**f** is the persistent fixed capital, the part of fixed capital that isn’t used up during a production cycle. Note that most formulas that include f have to take account of the entire production of a commodity during a single production cycle.

**c = f + w + r.** The total constant capital consists of the fixed capital plus the circulating constant capital.

**w + r** is the part of the constant capital used up during a production cycle.

**v + s** represents the socially-necessary hours of labor by the workers during a production cycle.

**v** represents the variable capital, which is used to pay wages.

**s** represents the surplus-value.

**s/v** is the rate of surplus-value (rate of exploitation).

**R = s/(f + c + v)** is the rate of profit. When one considers f, the formula has to be calculated not over an individual product, but for all the products during a single production cycle.

**s/(c + v)** is sometimes given as the formula for the rate of profit. This could be because f is taken to be zero, for simplicity, when the fixed capital isn’t relevant to the problem under discussion. Or it could be because c is taken to include f.

**c/v** is the ratio of the constant to the variable capital, the so-called organic composition of capital. When all technicalities are taken into consideration, there are three slightly different definitions of the organic composition of capital. (1) There is c/v, with c and v measured in value. (2) There is c/x, with c and x measured according to prices of production. And there is (3) the “full organic composition”, which takes account of the organic composition of the branches of industry that produce the goods (machinery, raw materials, etc.) representing the constant capital, and of the consumer goods representing the variable capital.

**k = c + v** is the “cost-price” of producing some good; it is the capital actually expended; it does not include the persistent fixed capital.

**pp = k + R(f + k) = (c + v) + R(f + c + v) = Rf + (1 + R)(c + v)** is the price of production of some good. If one sets f = 0 for simplicity, it is just k + Rk = (1 + R)(c + v). But if one takes account of f, it has to be calculated over an entire production cycle. Or, alternatively, to apply the formula to an individual unit of a commodity, one uses pp = (value of fixed capital)/N, where N is the number of units produced by the machine in the course of a production cycle. Finally, note that the formula for pp is only approximate, as the exact equation of this form would need to have every category on the right side, including the rate of profit, calculated according to prices of production.

**Category**: When categories are underlined, it always indicates that they should calculated via prices of production, not values. For example, c represents the value of the constant capital, while c represents how much the constant capital would cost at prices of production.

**pp = (1 + R)k = (1 + R)(c + v)** This is the revised formula for the prices of production (when it is assumed there isn’t any persistent fixed capital). Since prices of production appear on both sides of the equation, it expresses a relationship among prices of production rather than giving an explicit definition of how to obtain prices of production from values.

**R** is the rate of profit calculated via prices of production. Marx implicitly held that the rate of profit is the same whether calculated in value terms or prices of production. However, as is pointed out in the article, the rate of profit R does differ somewhat when calculated in value terms or in terms of prices of production.

**Marx’s helper formulas** for the transformation process are given later in this list, just before the modified helper...
A and B are taken here to be two different commodities or products which have the same value, of five labor-hours, but B sells for twice the price as A, a single A selling for $100, and a single B for $200.

An economic category, such as cotton or sugar, may be measured in three different ways in this article. When it is important to make such distinctions, they will be indicated as follows:

Category is the category measured in value terms, but the value is expressed in dollars, with one labor-hour represented by the average amount of money that a product with the value of one labor hour costs, averaged over the entire economy.

Category^h is a category as measured in hours. It is the amount of socially necessary labor-hours represented by the commodities in that category. It is a category measured not only in value, but with the value measured directly in labor-hours.

Category is, as mentioned above, the category measured in prices of production.

m is an amount of money, usually used for how much something costs. m usually is the price if things were priced at their value, and m if things are priced at the price of production.

\[ L = \frac{1}{D}, \text{ and } D = \frac{1}{L}. \]

\[ \text{val}^h = L \cdot m \]

\[ m = D \cdot \text{val}^h \]

When things are bought and sold at their prices of productions, these formulas with L and D break up into many formulas, each with its own separate L and D (such as \( L_A \) or \( D_B \)) since these ratios vary for different products. For example,

\[ \text{val}^h = L_{\text{product}} \cdot m \text{, or, more explicitly, } \text{val}^h_{\text{product}} = L_{\text{product}} \cdot m_{\text{product}} \]

where separate formulas have to be written for each product, thus:

\[ \text{val}^h = L_A \cdot m \text{, or, more explicitly, } \text{val}^h_A = L_A \cdot m_A \]

\[ \text{val}^h = L_B \cdot m \text{, or, more explicitly, } \text{val}^h_B = L_B \cdot m_B \]

More generally, if one is considering the total or aggregate values and dollar sums for a basket of several products, A,B,C, etc., one has

\[ \text{val}^h = L_A \cdot m_A + L_B \cdot m_B + L_C \cdot m_C + \text{and so on,} \]

or

\[ \text{val}^h = L_{\text{shopping basket}} \cdot m \text{ where } L_{\text{shopping basket}} \text{ is an average } L, \text{ averaged over A,B,C, etc.} \]

Similarly,

\[ \text{val} = D_{\text{shopping basket}} \cdot \text{val}^h \] where \( D_{\text{shopping basket}} \) is averaged over the various products in the shopping basket.

\( U \), or more explicitly, \( U_{\text{product}} \) is the ratio between the value, measured in dollars, to the value of the product. Recall \( L_{\text{product}} \) is the amount of value, measured in labor-hours, represented by one dollar’s worth of that product. The difference between the \( U \)’s and the \( L \)’s is that value is measured in dollars as far as \( U \) is concerned, not labor-hours.

Wait, someone may say, wouldn’t the amount of value, represented in dollars, of one dollar always be one dollar?! No! The point is that, once one switches to prices of production, the amount of value represented by a specific product that costs one dollar changes, depending on the organic composition of the capital producing that product. When one measures value in dollars, one represents a labor-hour by the average amount of dollars that a labor-hour represents, averaged over all products. By way of contrast, \( U_{\text{product}} \) represents the value, measured by the average amount of dollars a labor-hour represents, of a dollar’s worth of a specific product. Thus, how far \( U_{\text{product}} \) differs from 1 represents the deviation between price and value introduced by prices of production, while \( U_{\text{entire output}} = 1 \).

\[ \text{val} = U_X \cdot m \text{ or, to be more explicit, } \text{val}^h = U_X \cdot m_X \]

\[ T_X = \frac{1}{U_X}, \]

\[ U_X = \frac{1}{T_X} \]

\[ T_{\text{all}} = \frac{1}{U_{\text{all}}} \text{ as this article sets the total prices of production equal to the total values. But } T_A \text{ varies depending on the organic composition of the capital used to produce A’s. } T_A \text{ is less than one when A is produced in a labor-intensive sphere of production, and greater than one in the capital-intensive situation.} \]

Similarly, \( U_{\text{all}} = U_{\text{total product}} = U_{\text{average}} = 1 \) but the \( U_A \)’s vary depending on the organic composition of the capital used to produce A’s. However, \( U_A \) is greater than one when A is produced in a labor-intensive sphere of production, and less than one in the capital-intensive situation.

The simple three-sector model of an economy undergoing simple reproduction (i.e., a static economy) involves means of production, means of consumption, and the luxury sector,
with capitalist profits, and only capitalist profits, used to buy the luxury goods.

\[ T_{\text{total profits}} \text{ does not necessarily equal 1 in the three-sector model, unless the organic composition of the luxury sector is the same as the overall organic composition of the economy.} \]

**Capitalized categories** — in general indicate categories that refer to the entire economy or to large branches of it: for example, \( c \) is the constant circulating capital used in producing a product, or a collection of products, while \( C \) represents the entire constant circulating capital of the economy.

\( S \) is the total surplus value generated in one economic cycle of the entire economy, measured in dollars.

\( P \) is the total profits produced in the entire economy. In the economic models used in discussing the transformation problem, the total surplus value and the total profit refers to the same physical amount of goods (this is not true for the surplus value and profits obtained by any one capitalist); however, the surplus value represents the total value of these goods, while the profits refer to the total of the prices of production of these goods. So \( P \) and \( S \), the total profits and the prices of production of the goods representing the surplus value, are the exact same thing: \( P = S \).

\[ P = T_{\text{total profits}} \cdot P = T_{\text{total profits}} \cdot S \]

\( C \) is the total constant capital for the entire economy.
\( V \) is the total variable capital of the entire economy.
\( E \) is the total size of the output of one production cycle, and equals \( C + V + S \). Since the total of the prices of production equals the total value, \( E = E \).

Marx’s view was that the equalization of the rate of profit resulted in the total surplus value remaining the same (but being redistributed among individual capitalists in a different way). That is so, as expressed in both value and physical terms. It is not exactly so when measured by prices of production (except in the special case when \( U_{\text{total profits}} = 1 \)).

**Marx’s helper formulas:**
- \( P = S \)
- \( V = V \)
- \( C = C \)
- \( E = E \)
- \( R = R = S/(C + V) = P/(E - S) \)

**The modified helper formulas:**
- \( P = T_{\text{total profits}} \cdot S \)
- \( V = T_{\text{total variable capital}} \cdot V \)
- \( C = T_{\text{total constant capital}} \cdot C \)
- \( E = E \)
- \( R = S/(C + V) = P/(E - S) = T_{\text{S}}S/(E - T_{\text{S}}S) \), and thus does not generally equal \( R = S/(E - S) \)

**Method of averaging** (the weighted average):

\[ T_{\text{collection}} = T_{\text{prod1}} (m_{1}/(m_{1} + m_{2} + m_{3})) + T_{\text{prod2}} (m_{1}/(m_{1} + m_{2} + m_{3})) + T_{\text{prod3}} (m_{1}/(m_{1} + m_{2} + m_{3})) \] where one is considering a collection of three products, with prices of production.

**Revenue** is the part of the total production of the economy that goes into consumption, rather than replacing or expanding the means of production.

**Capitalist revenue** is the part of the surplus value that goes for the capitalists’ personal consumption rather than being reinvested in expanding the means of production.

\( \text{REV} \) stand for the capitalist revenue for the entire economy

\( \text{SMPC} \) stands for the part of the surplus value that is realized as means of production and means of consumption and can be used for expanding the scale of production.

\( \text{REV} - \text{REV} \) is the deviation of the prices of production of the total capitalist revenue from the value.

\( \text{SMPC} - \text{SMPC} \) is the deviation from its value of the price of production of the part of the surplus value that is realized as means of production and consumption.

\( g \) is the growth rate from one economic cycle to another in Anwar Shaikh’s economic model of proportional growth referred to in the text.

**Appendix 2: A counterexample to Shaikh’s view of the transfer between two circuits of capital**

Earlier, in the section “Anwar Shaikh and the transfer between two circuits of capital”, I discussed his view that the discrepancy between total profits and total surplus value occurs because of transfers taking place between “the circuit of capital and the circuit of capitalist revenue”. I showed that, despite his other contributions to the discussion of the transformation problem, this particular conclusion is mistaken. But it might also help those who are somewhat familiar with economic models to see a concrete example of how disproportion can result even without a “circuit of capitalist revenue”.

This can be seen by using a model of a very simple two-sector economy that has only means of production (the material form of constant capital) and consumer goods (the material form of variable capital); there are no capitalist luxury goods at all, and all profit is ploughed back into increasing production. Let’s also assume that the rate of exploitation is 100%, so that \( v = s \) (i.e., there is as much surplus value as variable capital expended on wages). In the sector devoted to means of production, let’s say that it uses 3 units of means of production for every unit of variable capital. Then we might find that the value of the means of production that are produced in the first production cycle is 500:

\[
500 = 300 \text{ (means of production)} + 100 \text{ (consumer goods)} + 100 \text{ (surplus value)}.
\]

With respect to variable capital, let’s assume that the consumer goods which the variable capital is spent on are
produced by a process that uses 1 unit of means of production for every unit of variable capital. Then we might find that the value of the means of consumption produced in one production cycle is 300:

\[ 300 = 100 \text{ (means of production)} + 100 \text{ (consumer goods)} + 100 \text{ (surplus value)} \]

This works out quite well, as 500 units of means of production are produced in a production cycle, 400 of which replace the used up means of production (300 units of means of production used up in producing means of production, and 100 units used up in producing consumption good), leaving 100 units of surplus product (which is the material form of the surplus value which has been produced in this sector). Similarly 300 units of consumption goods are produced in a year, 200 units of which go to replace the used up consumer goods (100 used up in producing means of production, and 100 used up in producing consumer goods), and 100 are left as surplus product.

However, the organic composition of these sectors differs dramatically, with the sector producing means of production having an organic composition of 300/100 = 3, while the sector producing means of consumption has an organic composition of 100/100 = 1. And when everything is priced according to value, the rate of profit differs in these two sector, with the sector producing means of production having a profit rate of 100/(300+100)=1/4 or 25% (assuming that there is no fixed capital to worry about, so that the rate of profit is just $S/(C + V)$), and the profit rate for the other sector being 100/(100+100) =½ or 50%. The overall rate of profit for this simple economy is 200/(400 + 200) = 1/3, or approximately 33.3%

Putting this in a chart, we have

<table>
<thead>
<tr>
<th>Used up</th>
<th>Used up</th>
<th>Used up</th>
<th>Used up</th>
<th>Used up</th>
</tr>
</thead>
<tbody>
<tr>
<td>$C$</td>
<td>$V$</td>
<td>$S$</td>
<td>$VAL$</td>
<td>$profit$</td>
</tr>
<tr>
<td>300</td>
<td>100</td>
<td>100</td>
<td>500</td>
<td>1/4</td>
</tr>
<tr>
<td>200</td>
<td>200</td>
<td>200</td>
<td>600</td>
<td>1/2</td>
</tr>
</tbody>
</table>

In the next production cycle, something has to be done with the left-over product. I’ll specify a particular way of doing this. Let production of consumer goods be expanded, using 200 units of means of production and 200 units of variable capital, instead of 100 units of each. But let the production of means of production stay the same.

So there is the following chart for the second cycle of production:

- the “surplus product” for $C$ is calculated by subtracting the variable capital from the second column, and the price of production from the fourth column;  
- the rate of profit is calculated by $P/(C+V)$; and  
- the “surplus product” for $C$ is calculated by subtracting the used up from the total production in both sectors. This is not an equivalent for either the profits or surplus value obtained by this sphere of production: this leftover product is simply the surplus over the total use of the product in the economic cycle. Similarly for the leftover consumer goods.

38 The $C$ row represents the production of means of production, which is also the concrete form of the constant capital of both sectors of production. The $V$ row represents the production of consumer goods, which is also the concrete form of the variable capital of both sectors of production. The $VAL$ column gives the total value of the production of the various rows.
sum of the entries in the C column from the entry in the PP column for the C row, and the entry for V comes from subtracting the sum of V column from the entry in the PP column for the V row.

The result is as follows:

<table>
<thead>
<tr>
<th>C</th>
<th>V</th>
<th>P</th>
<th>PP</th>
<th>rate of profit</th>
<th>leftover product</th>
</tr>
</thead>
<tbody>
<tr>
<td>326.13</td>
<td>85.48</td>
<td>131.94</td>
<td>543.56</td>
<td>.3206 (32.06%)</td>
<td>108.71</td>
</tr>
<tr>
<td>108.71</td>
<td>85.48</td>
<td>62.25</td>
<td>256.44</td>
<td>.3206 (32.06%)</td>
<td>85.48</td>
</tr>
</tbody>
</table>

And the overall rate of profit is calculated by dividing the total profit (131.94 + 62.25) by the sum of the total constant (326.13 + 108.71) and total variable (85.48 + 85.48) capital. It comes out at 32.06%, which is not surprising, as the two sectors of production both have the same 32.06% rate of profit.

This chart represents the exact same amount of production in the first cycle as before, and the use of the exact same amount of means of production and consumer goods, but they are expressed in prices of production rather than value. With these prices, one sees that the rate of profit has been equalized at 32.06%. This verifies that these prices are indeed the correct prices of production.

But the total surplus value used to be 100 + 100 = 200 units, while the total profit is now 131.94 + 62.25 = 194.19 units. Thus there is now a discrepancy between total surplus value and total profits. It isn’t very big, being merely 5.81 out of a total surplus value of 200 units. But that’s not too surprising as these discrepancies usually aren’t very big. Nevertheless this is indeed a real discrepancy; and it exists despite all the profits from the first cycle of production being used to expand production in the next cycle. This discrepancy thus has nothing whatsoever to do with the “cycle of capitalist revenue”, which doesn’t exist in this economy. So this is the promised counterexample.

Now let’s look at some features of this example. Considering the tremendous difference in the organic composition of the two sectors, the prices of production don’t differ that much from the values. The biggest deviation is for consumption goods, and that is only 15%. This would seem to be in line with prices of production being perturbations (small corrections) from values. Moreover, the overall rate of profit calculated in value terms and in prices of production is rather stable: it doesn’t change that much, going from 33.3% to 32%. The rate of profit for each sector is adjusted, but the overall rate of profit stays pretty stable. Of course a single example such as this can only be suggestive of a general result, not a proof.

It’s useful to also redo the chart for the second cycle in prices of production. It then looks like this:

<table>
<thead>
<tr>
<th>C</th>
<th>V</th>
<th>P</th>
<th>PP</th>
<th>rate of profit</th>
<th>leftover product</th>
</tr>
</thead>
<tbody>
<tr>
<td>339.58</td>
<td>89.00</td>
<td>137.38</td>
<td>565.97</td>
<td>.3206 (32.06%)</td>
<td>0</td>
</tr>
<tr>
<td>226.39</td>
<td>178.01</td>
<td>129.63</td>
<td>534.03</td>
<td>.3206 (32.06%)</td>
<td>267.01</td>
</tr>
</tbody>
</table>

So here again we see that the total profits (89.00 + 178.01 = 267.01) differs from the total surplus value (200 + 100 = 300, as taken from the chart above of the second cycle in value terms).

It’s also notable that the prices of production change when they are calculated for the second production cycle. The price of production of the means of production is now 1.132 times the value (T = 1.132), and the price of production of consumer goods is .8900 times the value (T = .8900). This is different from the first cycle. Why do the prices of production change from cycle to cycle in this example? Is this surprising? Not really. This is because the relative sizes of the two sectors have changed, due to the expanded production. The change in the redistribution of surplus value from one sector to another comes from a difference in the organic composition of the two sectors, but the influence that the different organic compositions exercise is affected by the size of the sector with that organic composition.

However, as mentioned above, it turns out that in the second cycle there are no surplus means of production available for expanding production further in the next cycle. This means that one can’t simply proceed to a third cycle by repeating the transition from the first to the second cycle, i.e. leaving everything unchanged except increasing the production of consumer goods again, as that would require more means of production. So the only way the third cycle could absorb the surplus consumer goods is if there is some additional change: a change in the organic composition of the various sectors (due perhaps to technical change); some reason to store the left-over consumer goods, such as building up needed stockpiles; an increase in wages; or some other change. Otherwise the left-over consumer goods mean that the second cycle results in an unbalanced situation, where the excess of consumer goods may cause price changes and a slow-down of production in the third cycle.

Does this mean that the example I have given of the first cycle is unrealistic? No, not at all. It is a general property of expanded growth that, unless this growth is exactly proportional, it will eventually give rise to an unbalanced situation — unless these disproportions are counteracted by changes in the organic composition of the sectors or other factors. For that matter, proportional growth itself can be upset by changes in the organic composition of the sectors, running out of sufficient labor power or resources, etc. Growth and change — technical change, change in markets, change in the availability of resources or labor, and so forth — give rise repeatedly to disproportionalities. So it would be unreasonable to assume that proportional growth is the only case of expanded reproduction that has to be considered. And in fact, Marx does not assume proportional growth in his discussion of expanded reproduction in Capital, nor do various other studies of expanded reproduction.


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The following account of my trip also includes information gathered from reading local news accounts during and after my trip.

The first area of interest was Southeast Asia. In Vietnam and Cambodia, a lot of strikes seem to be occurring recently compared to the rest of the world. However I did not see any evidence of an independent Marxist movement. There is a lot of rural poverty, such as houseboats on the Bonle Sap, a huge Cambodian lake, and they are evidence of a low standard of living. I was not able to see any of the big factory areas while I was in Vietnam.

I arrived in Bangkok, Thailand, during the early stages of the Red Shirt protests there. I stayed at a hotel in the Sukhumvit district, near one of the largest Red Shirt occupation sites, an affluent, economically important district. I observed goings on from above, in the elevated train station, because I didn’t have a good sense of what the police reaction would be, or how safe it was to mingle in the crowd. As it turned out, the cops held back, perhaps because of the participation of some radical generals in the protests. So I eventually felt it was quite safe to go down and try to make contact with the protestors. I spend several hours over the course of two or three days mingling with the demonstrators and trying to strike up conversations with any English speakers that I would encounter. The results were not too enlightening because of the limited communication that I was able to accomplish. However, I was able to get a sketchy idea of the social character of the demonstrations through this means.

A lot of workers and poor seemed to be neutral about the protests. They didn’t seem clear on the protestors’ agenda. Others are aware. There is a lot of resentment of the rich. In the North and Northeast, there has been a lot of action in the countryside, actions to stop trains carrying troops into the city. There is some independent activity of the masses. A lot of energy is being vented in pure belligerence, while it is also taking the form of strikes and fights to raise the minimum wage.

The military as a whole has been forced to back the monarchy, but there are some generals and other military people who support the protestors. This accounts for the hesitancy showed by the government during the stage of the Red Shirt agitation when I was there. Later, the government cracked down on the protests and eventually dispersed the protestors altogether with considerable loss of life and many injuries.

Sixty have been killed in the last few months, after I left Thailand. It looks like a sniper shot and killed Sawasdiopol, a prominent Red Shirt general. It is unclear whether this killing was done by a rogue section of the military, or as an official assassination. Another Red Shirt leader is Dr Weng Tojirakarn, who is described a “former communist”, although his actions during the protests indicate he is actually a rightist. The protest was very heterogeneous. Many protestors are not too conscious. At first, many accounts in the international media described it as just a fight between the ruling elite and Thaksin Shinawatra and his supporters. Later, all media sources said some more wide-ranging social demands were being made. The movement went way beyond Thaksin. Both sides tried to appease his supporters, while giving the masses the fewest concessions. Some leaders tried to push demands beyond what was acceptable. Some 400 to 600 protesters were reported to have guns, plus some with rockets, and Molotov cocktails during the protests.

After Thailand, my next stop was India. There I was planning to meet with a contact of mine, AB. While I was visiting his city, I stayed right down the street from a bakery that was bombed a few months ago. There is an armed police emplacement at the intersection across from the bakery now, and it has just become a part of the scenery. I met AB at his home near there. He is from the upper class, and he is very out of touch with workers and other revolutionary elements. His interest in Marx has developed on an academic basis. I gave him a copy of Marx’s Notes on Indian History from my library as a present.

He recently read State and Revolution, and asked me about how it was borne out by events in Russia. I replied that complexities arose in the course of war communism and NEP which would require some more study of the transitional framework put forward in Lenin’s book, but AB seemed to miss this point. Although he has been previously politically isolated, he recently got together a discussion group, and has other contacts elsewhere in India.

The April 6 attack by the Naxalites on an Indian paramilitary group at Dantewada was a major topic of our conversations. The Maoist insurgency is having a profound effect on the Indian state. Pakistan is worried about Indian ties to Afghanistan, and wants a more Pakistan-friendly government there. AB’s attitude on the whole is correct with regard to India; he sees their imperialism. There is very little consciousness about the imperialist orientation of the Indian government and that is why AB’s anti-imperialist attitude is important.

It may seem that the Naxalites are waging guerrilla warfare for the sake of warfare, but they actually do put forward some demands for the rural poor, such as not destroying land to expand mining. But they are not into organizing the urban proletariat. Apparently they are opposed to development because they only see its negative side. India has been mounting several large-scale military operations into the countryside which are provoking attacks by the Naxalites.

The final stage of my trip took me into Turkey, and Europe. While I missed the great May Day demonstration in Taksim square, with over 100,000 people, I participated in the Mayday demonstration in Thessaloniki, Greece. The only demonstrations I saw in Turkey were by sideline sects, such as the Turkish Bolshevik Nationalists. In Thessaloniki, there was good sentiment in the crowd, but the overall demo had a parliamentary orientation. There were three Mayday demonstrations in Thessaloniki, one by the Stalinist KKE, one by various left forces not aligned with the Stalinists, such as the parties in the SYRIZA formation, and one by forces calling for direct action outside of parliament. I could not find the location of the rally by the third

Continued on page 6
A racist murder by the Seattle police
Justice for John Williams: Jail Officer Berk!

By Seattle Anti-Imperialist Committee

On August 30 John T. Williams was shot to death by Seattle Police Department (SPD) officer Ian Birk at Boren Avenue and Howell Street. According to Birk, Williams had “refused” to obey his orders and “lunged” at him with the knife during a sixty second interaction. But this story immediately began to fall apart. Williams likely didn’t even hear Birk because he was deaf in one ear and wearing headphones. More, it would have been hard for him to lunge at anyone because he was arthritic and limped. Indeed, witnesses say they may have seen Williams stumble a bit, but saw no “lunge.” And one witness says that Williams “didn’t even look up at the officer.” Then, the autopsy showed that John Williams wasn’t even facing Birk when he was shot, instead he was shot four times in the side.

The truth is that John Williams, who carved traditional tribal totems to sell for a little money, had been peacefully walking along carving a piece of wood with a small, legal knife when officer Birk boiled out of his car to confront him, and ended up shooting him down like a dog. This would never have happened had Williams been a white businessman in a suit. Instead, he was Native American, poor, and homeless. And if you’re a cop, such a person is someone to fear, “keep in line,” and brutalize if they “disobey orders.”

A protest movement develops demanding justice

But family members, friends, workers at social service agencies where John Williams was a client, members of the Native American community, longtime fighters against police brutality, and others have stood up against this blatant murder by organizing numerous street rallies and marches demanding justice. They also, at a packed September 8 meeting at the Daybreak Star Cultural Center, denounced to police chief John Diaz what had happened. And the many, many hundreds of people who have been involved in these events represent a much larger mass anger. Yet this movement must continue farther if it is to win any kind of justice.

On October 14 Seattle Police Chief John Diaz and the department’s Firearms Review Board reached a preliminary finding that officer Birk’s shooting of Williams shooting was not justified. Birk was also relieved of his badge and gun for now, but allowed to keep collecting his salary. Moreover, we should note the SPD has not referred this case to the prosecutor, while nationally, ninety-five percent of those cases which are egregious enough to be referred to prosecutors by the internal police investigators are not prosecuted.

The next legal step is the coroner’s inquest. But the last time that a coroner’s inquest found a SPD homicide “unjustified” was the murder of African-American Leslie Allen Black . . . in 1971! And while 1971 was a time when the mass movements of the oppressed were at a much higher level than today, even in those conditions the King Co. Prosecutor refused to bring charges against the officers involved.

Racism

In order to blunt protests by slurring over the racist and class nature of John Williams’ murder, the SPD and corporate news media quickly pointed out that officer Birk had only been on the force two years. Hence, the only alleged problem was the inexperience or lack of training of an isolated officer and not the entire system he was representing. But protesters have been rightfully denouncing this system nevertheless.

The U.S. has 25% of the total world prison population: both the highest incarceration rate, and the highest total prison and jail population in the world. Moreover, African Americans, Latinos, Native Americans and other national minorities are far over-represented in the criminal “justice” system: for example, in 20 states the percentage of Blacks imprisoned is 5 times their share of the state population; Black males are nearly seven times more likely to be incarcerated than whites, and Latino males are 2.4 times more likely. These populations are also far over-represented in the system of justice meted out by the police on the streets, in murders like that of John Williams, and in beatings, threats of violence, and plain harassment. Blacks are 3.8 times more likely to be killed by cops in “justified homicides” than whites.

But this racism of the criminal justice system is necessary to enforce the racism of American capitalism generally. The U.S. is the most unequal society on earth, and its large cities are where the gaps between the very richest and the very poorest, who are disproportionately nonwhite, are greatest. Overall unemployment officially went into the double digits last year, with the real rate much higher. But various geographical regions, including inner cities, racial minorities, and youths experience much higher rates. For example, the overall official Black unemployment rate is 17.6%, and this doesn’t account for the millions who have grown discouraged and given up looking. In some urban centers, like Minneapolis and Memphis, Black unemployment is three times the white rate. And in the Pacific Northwest, Native Americans officially experience 18.7 percent unemployment today.

As for homelessness, another measure of the state of the working class and poor, the same patterns prevail: Native Americans are 10 times more likely to be homeless than their weight in the population, and Blacks are 3.2 times more likely.

The police: attack dogs of capitalism

The capitalists are driven to practice racism in order to increase profits by super-exploiting national minorities. They spread racist ideas among white workers to justify this, as well as to undermine united resistance by the workers and poor of all races and nationalities, and thereby keep them all down. Moreover, during the past several decades the capitalist ruling class, through both the Republicans and Democrats, has gone on a

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* For the organization of the Iraqi working masses
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SAIA ends, but anti-imperialist work continues

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ENERGY CRISIS:
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ANTHRAX – postal management’s disregard for workers
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Back issues are currently available at the same price as the current issue. See page 2 for how to order CV.
Errata for Communist Voice #45

Page 3, in the box entitled “In this issue”: the page number of the article “About Reid’s The Healing of America” should be 34, not 33.

Page 46: all the URL’s for articles against Trotskyism and Stalinism should start www.communistvoice.org, and ooTrotskyism.html should be 00Trotskyism.html.

Page 48, col. 1, the last paragraph: the word "thus" should be omitted from "instead, this value thus divides into two parts".

Page 51, col. 1, the last paragraph: add the word "all" so that the end of the second sentence reads "that ensures that they all are exact".

Page 52, col. 1, paragraph two from the bottom: omit "of" so that the end of the first sentence reads "but instead makes this estimate indirectly in terms of exchanges between different products and money."

Page 52, col. 2, the third paragraph: in the second line, underline the second m so that \(D_{all} \cdot \text{val}^b = D_{all} (L_X \cdot m) = (D_{all} \cdot L_X) m\) becomes \(D_{all} \cdot \text{val}^b = D_{all} (L_X \cdot m) = (D_{all} \cdot L_X) m\).

Page 54, col. 2, paragraph 2, sentence 4: add "But in a more general situation" to the beginning of the sentence, and "and/or consumption" near the end so that it reads "But in a more general situation, those three masses of goods might not represent entirely distinct sectors of production: for example, the capitalists might buy with their profits, not just luxury goods, but means of production and/or consumption in order to expand production."

Page 55, col. 2, the last paragraph: omit the words “there are” so it reads “Nevertheless, three different organic compositions might end up being considered....”

Page 56, col. 1, the 2nd paragraph under "The Bortkiewicz-Sweezy results": change the last clause from "where profits and only profits were spent on the luxury sector" to "where profits were spent on the luxury sector and only on the luxury sector."

Page 56, col. 2, 3rd paragraph, the latter part of the last sentence: the first use of the word "profits" should be replaced by "prices" so that it reads, "if he had switched the money standard in order to ensure that the total prices equal the total value, then this would have upset the equality of the total profits to the total surplus value.”

Page 57, col. 1, paragraph 2: "i.e." should be "i.e.,".

Page 57, col. 2, footnote 18, "pp. 21039" should be "pp. 21-39".

Page 58 col. 2-p.59 col. 1. The repeated references to the means of production should actually be to the "means of production and consumption". This section distinguishes between capitalist revenue (profits spent on luxury goods) and profits that are reinvested and serve to expand production. It identifies the reinvested profits as the surplus means of production, but it should say, the surplus means of production and surplus means of consumption (consumer goods or articles of consumption). The capital used to expand production goes both into constant capital (means of production) and variable capital (used to pay wages which in turn are represented by means of consumption). Instead of referring to SMP (surplus means of production), it should refer to SMPC (surplus means of production and surplus consumer goods). Hence there are a series of changes:

Page 58, col. 2, paragraph 2: the last sentence, "It assumed that the new investment in means of production was exactly proportional to the already existing means of production", should be "It assumed that the new investment in means of production and consumption was exactly proportional to the already existing means of production and consumption."

Page 58, col. 2, paragraph 3: the third sentence should read "It’s because, in his model, in the case where there is no revenue (a) this model would have only means of production and consumption, and (b) the goods purchased by the profits would be means of production and consumption in exact proportion to the already existing means." And the last sentence should have and additional two words “and consumption” so that it begins “In this case, the surplus value, which consists solely of the added 10% in means of production and consumption,...”.

Page 58, col. 2, paragraph 4: the second sentence should read "Then, even though all of the surplus value was reinvested, if it was invested in an assortment of means of production and consumption that wasn’t proportional to the already existing means, then there would be a total profits/total surplus value deviation by an amount equal to the price-value deviation of the new means of production and consumption coming from the surplus value."

Page 58, col. 2, the second paragraph from the bottom: the end of the last sentence should be "and not to the part of the surplus value that is realized as means of production and consumption."

Page 58, col. 2, the last paragraph (which continues to p. 59, col. 1): the last part of the first sentence should read: "and the amount of profits that is reinvested in expanding the means of production and consumption (call this SMPC)."

Page 59, col. 1: every time SMP or SMPC appears, it should be SMPC or SMPC.

Page 59, col. 1, paragraph 3: the last part of the last sentence should be "we can see that this other factor involves the price/value deviation of the surplus means of production and con-
sumption, SMPC."

Page 59, col. 1, paragraph 4: the second sentence should read "The total surplus value is composed of capitalist revenue, plus the surplus means of production and consumption.: \( S = \text{REV} + \text{SMPC} \)."

Page 59, col. 1, paragraph 4: the end of the last sentence should read "and that of the surplus means of production and consumption."

Page 59, col. 1, paragraph 7: the first sentence should read "Thus the total profits/total surplus value deviation can be expressed by a formula that involves only the surplus means of production and consumption, SMPC."

Page 59, col. 1, the last paragraph (which continues onto col. 2): in the last sentence the words "but it is also proportional to the price/value deviation of the surplus means of production..." should read "but it is also proportional to the price/value deviation of the reinvested profits (surplus means of production and consumption)...".

Page 62, col. 2, first paragraph under "A social and non-natural category is still a real category": in the second sentence omit the word "are".

Page 63 col. 1, paragraph 3: the last word should be "works" not "work".

Page 63, col. 1, paragraph 5: the third sentence should be "The idea that commodities..." not "The idea of that commodities..."

Page 63, col. 2, paragraph 2: in the last sentence the word should be "indeterminacy", not "indeterminancy".

Page 64, col. 2, paragraph 5: the last sentence should contain the words "every category on the right side", not "every category on the left side".

Page 65, col. 1, paragraph 5: the second sentence should read "Alternatively, when everything is bought and sold at its value, it is the amount of abstract labor-hours contained in any product that costs one dollar."

Page 65, col. 2, paragraph 4, sentence three: the words "finding the prices of production of product of a certain value" should be "finding the price of production of a product of a certain value."

Page 65, col. 2, paragraph 4, sentence five: "the price of production of production" should be "price of production", and the formula should be \( m_X = T_X \cdot \text{val}_X = T_X \cdot m_X \) (the "val" should have a subscript X).

Page 65, col. 2, the last paragraph: "a static economic" should be "a static economy".

Page 66, col. 1, paragraph 2: add "in the three-sector model" so that it reads "\( T_{\text{total \ profits}} \) does not necessarily equal 1 in the three-sector model, unless..."

Page 66, col. 1, paragraph 3: it should be "c" not "the c".

Page 66, col. 2, paragraph 3: repeated references to SMP should be to SMPC. It should say, not "that is realized as means of production", but "that is realized as means of production and consumption". And the last sentence in this paragraph should end with "that is realized as means of production and consumption."

Page 68, col. 1, second paragraph from the bottom, sentence 4: "second-order corrections" should be "small corrections".