

# Notes on the international situation

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**Circulated January 20<sup>th</sup>, 2011, these notes have been written prepare the debates at the coming International Committee (IC) meeting of the Fourth International. Centered then mostly on Europe, they will be reworked in function of the quick evolution of the situation (Arab region...) and the IC debates. See the report later presented and approved by the IC, February 22, 2011: [Report on the International Situation](#).**

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## 1. The current moment of the crisis

The world crisis continues. It has entered its fourth year. Its unfolding takes the form of financial crises, crises on the food product or raw material markets and crises of the public debt. Its combined character –economic, financial, social and climatic- is confirmed. Some, like Paul Krugman (an economist identified with the left of the US Democratic Party) suggest that this Third Depression resembles both the stagnation which began in Europe and the United States in the 1870s - he calls it the Long Depression - and the stagnation of the 1930s which he calls the Great Depression. Thus, he writes "We are now, I fear, in the early stages of a third depression. It will probably look more like the Long Depression than the much more severe Great Depression. But the cost — to the world economy and, above all, to the millions of lives blighted by the absence of jobs — will nonetheless be immense." This phase of "depression" is not only the result of financial crises but also the exhaustion of the economic and financial mode of accumulation of the last thirty years. Neither in Europe nor the USA is there the equivalent of the upturn in the world economy of the 1940s and 50s, and policies of generalised indebtedness no longer compensate for the limits of economic growth.

The dominant classes and the governments have contained the financial crisis of 2008 which could have ravaged the world economy but the cost of the state interventions to save the banks and world finance have worsened the economic situation of each region or country: after the recessions of 2008 and 2009, current growth rates and those predicted for the long term are weak: 3% in 2011 and 3.5 % in 2012. This breaks down as follows in the various zones: 1 to 2 % in Europe, 2 to 3 % in

the USA ; and 6 to 7% in the so called emergent countries. Unemployment rates in the main capitalist countries remain high, around official figures 10%, in fact much higher. Poverty is increasing, hitting in particular women, youth and immigrants. All the talk of emergence from crisis or claims that the "the worst of the crisis is behind us" does not hide the slide into crisis and the absence of upturn of the world economy, notably in the USA and Europe. From this viewpoint, we could say that the crisis is above all that of the Western world and that China, India, and a series of countries in Asia and Latin America have avoided crisis or developed despite the crisis. The growth rates of these countries are indubitable facts, but they also suffer from the contraction of the market and world trade. And above all, these countries still do not have the capacity to relaunch the world economy, even if the Chinese and Indian growth rates remain impressive. Don't forget that 42% of China's GDP originates from its exports, and that a Chinese upturn will depend on its capacities to construct an internal market, with new infrastructures, wage increases and social security. We have the premises of it but it is not yet stabilised.

The crisis also takes the form, notably in the under-developed or developing countries, of an explosion in the price of raw materials, impoverishing the people. The Tunisian revolution is the combination of a social explosion against a terrible increase in basic food prices and the rejection of the dictatorship of Ben Ali. This dual social and democratic demand is at the heart of these movements. These movements against price rises and for democracy could not spread to a number of Arab countries. The demonstrations in Algeria, Jordan, Egypt or Yemen express, each in their own way and taking account of their national specificities, this profound movement.

## **2. The new neoliberal offensive**

In the battle between capital and labour, the crisis is a lever for the dominant classes who use it to destroy a series of social rights and gains. Since profit rates cannot be restored by production and mass consumption, world competition demands further lowering of the cost of labour in Europe and the USA. It is necessary to attack, deregulate, privatise. This capitalist offensive settles the debates and questions on the choice of a Keynesian turn for the dominant classes.

It is about attack, frontal attack, not social compromise. Little reflation, little reconstruction, no "demand" policies, no social and public redeployment of the state, loss of speed also of all the projects of "green capitalism". After some weeks of panic, the financialisation of the economy and the power of the financial markets have been restored. One can even speak of a second wave of the neoliberal offensive after that of the 1980s. In any case, the social destruction waged by the employers and the governments are as indeed stronger than in those days. The crisis now the lever of a new historic phase of neoliberal counter reforms. It is also through the deepening of the crisis that we should follow the development of the situation not only in the imperialist centres but also in the so called "emergent" countries.

This crisis can slow up the development of the latter, it can also demand new austerity plans which hit the popular classes. From her accession to power, Dilma Rousseff is preparing an austerity plan for Brazil. This new offensive has a global character. Nothing escapes capitalist globalisation, its unequal exchanges, its remodelling of labour power, its challenge to a series of social rights. It also affects by the pressure of the world market the progressive experiences of recent years in Latin America. It even strikes at the heart of the Cuban economy. What would be the consequences of the "privatisation" of a whole sector of the Cuban work force on the relation of socio-political forces in Cuba and in Latin America? But there is no fatality. The attitude of the progressive governments of Latin America and the Cuban leadership in relation to the crisis constitute a key test of the development of these currents.

We should expect new social and political struggles including inside the “Bolivarian movements”. According to their relations to the mass movements, this or that option can dominate. From this viewpoint, the recent hesitations of Morales in Bolivia, on the increase in the price of oil constitute an example of the crises which can develop in these countries. In a series of regions of the world, in Africa or in Asia, the pressure of the economic and social crisis, the military and political offensives of imperialism in a situation of weakening of Western hegemony, the weakening or absence of socialist or even progressive nationalist alternative, lead to situations where there is a mixture of resistance to neocolonialism, conflict between factions of the dominant classes, ethnic conflicts – this is the case with the situation in the Ivory Coast - or religious conflicts. In a region like Pakistan and Afghanistan, opposition to the exactions of Western imperialism is combined with a rise of reactionary Islamist forces who attack the rights of women and democratic rights. In this conjuncture, the construction of camps or fronts which oppose imperialism, but also the Islamist reactionary religious currents, is decisive for the future.

### **3. The shift in the world's tipping centre sharpens**

The crisis accentuates the change in the world relation of forces with the rise of the emergent countries, the decline of the USA and above all Europe. The Western world, above all the US, conserves its political and military power and maintains its economic strength but it is falling back in relation to China and in its relations with the other rising powers. China is already the world's second biggest power. It has even conquered first place in key sectors like computer production. Its military force and its arms expenditure have increased considerably, seeking to make of it a first order power in the coming years.

The presence of China in the world is undergoing a real expansion: big worksites in Africa and Latin America, large scale exploitation of territories for the production of raw materials and food products; purchase of the debt of countries “in difficulty” in Europe; Greece, Portugal and Spain,

We should also relate this development with the growth of the other so-called emergent countries - India or Brazil - and the countries of Asia and Latin America which affect this growth.

It is necessary, in this context, that the comrades from Latin America, Asia and Africa report on the situation in their region. One cannot for example separate the balance sheet of “Lulacism” from the new place of Brazil in the world, and its capacities to develop the financial markets but also its policy of state assistance which has obtained results. In this new world equilibrium, the US is in decline but keeps its political-military power, its huge market and “its dollar” it is Europe which is falling back. Some even speak of the crisis of the Eurocentrism which has dominated the world since 1492- the date of the discovery of America; but what is striking is this weakening of Europe in the world competition, worsened by the crisis. It is a structural factor preceding and concomitant to the world crisis. One of the striking elements of the current historic period and the crisis is the structural weakening of Europe.

### **4. The crisis in Europe**

Despite its technological, social, economic power and its accumulated wealth, Europe is the weak link in capitalist globalisation, in the sense where it is caught in the pincers between the USA and the rise of the emergent countries. The purchase of a part of the Greek, Portuguese and Spanish public debt by China is, effectively, more than symbolic. In the current world competition, the dominant classes are convinced that the “European social model” is a major handicap in the

competition with the USA and China. It is necessary to destroy social gains and conquests obtained over the last decades. What is more, from the conjunctural viewpoint, the banking crisis continues but it has passed from the banks to the states with a public debt crisis which results from decades of inegalitarian tax policies and the public intervention into the financial and banking crisis.

The public deficit went from 2 to 6.5% in the Euro zone and from 2.8 to 11% in the USA. The public debts between 2008 and 2009 went from 69.4 to 78.7% of GDP in the Euro zone and from 62 to 83%, from 2007 to 2009 in the USA. The states are now in the front line of the crisis. It is astonishing to see the different methods of response to the crisis, even if they don't succeed in vanquishing it: monetary and budgetary expansion in the USA with the purchase of treasury bonds - that represents 600 billion dollars injected into the US economy - the "quantitative easing" of the FED which is only a particular manner of "printing money" - but recessive austerity policies in Europe which smother any resumption of growth. This difference stems from the continued role of the dollar as "world currency" unlike the Euro. It also expresses different positions in the global relation of forces at the world scale. We indicate only that none of these policies has succeeded in relaunching the capitalist machine.

It should be added that the specificity of crisis in Europe results from the type of construction of the European Union: an entity dominated by the markets, of unfinished political content, without democracy, without popular participation, without political and economic unity. This construction far from protecting against the crisis is the basis of new tensions and contradictions among European states. Neoliberal construction far from coordinating economic policies encourages the "divergent dynamics" of the European economy, divergences between the industrial (Germany) and financial (British) dynamics, highly developed economies - former common market - and averagely developed - south and east of Europe.

The Euro effectively covers countries at different levels of development and productivity. And far from constituting an instrument for an economic coordination of the so called "Euro zone", it now functions as an instrument to discipline economies and peoples in the service of the strongest. Which leads to tensions between Germany or similar countries and the other, with a pressure which has become unbearable for Spain, Portugal and Greece. At this stage, the governments of the Euro zone have created mechanisms of assistance in return for radical neoliberal structural reforms, notably with the creation of a "European stabilisation fund" in 2013 for the countries in difficulties, of 750 billion Euros. Will that be enough to support the debts of the countries most in difficulty? Already a number of companies, financial markets and pensions funds speak of the inability of the countries of southern Europe to hold the line in the face of a new speculative offensive of the financial markets. Will the competition between the economies of the Euro zone combined with the absence of common economic, industrial, fiscal and social policies contain or worsen the crisis?

These tensions are reflected notably on the monetary plane, but behind the currency, there is the will of the dominant classes and the financial markets to make the peoples and workers pay for the crisis.

## **5. Social war in Europe**

There is a real "social war" in Europe today: freezing indeed nominal lowering of wages of public employees, drastic reduction of social and public budgets, destruction of whole layers of the social state, extension of the working day - pension reforms, challenges to the 35 hour week, suppression of millions of public sector jobs, attacks and privatisations of social security, health, schools (explosion of student fees in Britain).

The most recent example of these attacks is the referendum at the FIAT Mirafior plant in Turin, where the results of approval of the management proposals open the road to the liquidation of collective bargaining, not only in engineering but in all the professional branches and sectors. They are collapsing before the employment contract “negotiated” between the employee and the boss. The policy of the FIAT directorate also imposes a worsening of work conditions: team work, night work, crackdowns on absenteeism, wage freezes and so on.

Attacks of this type are tending to generalise across Europe. Combined with the policy of cutting deficits, it worsens not only the working and living conditions of millions of people but increasingly limits final demand, with the consequence of stifling growth and bringing about new recessions. The deficit cutting policies limit final demand and can only have consequences which will restrain growth indeed provoke new recessions. This is not yet another austerity plan, the objective is to reduce in the coming years the purchasing power of employees, by 10 to 15%. The dismantling of the welfare state or what remains of it will receive an unprecedented boost.

## **6. The right in Europe**

The difference between this offensive, linked to the historic and systemic crisis capitalism is undergoing, and that of the 1980s lies in the destabilising consequences for the whole of the system, its dominant classes, its parties, its institutions. All the dominant parties but also the others are destabilised by decades of neoliberal counter reforms and the crisis of the system. The crises of political representation, the historic crisis of socialism, the phenomena of popular abstention, the feeling of corruption of the political élites: all this feeds the general crisis of politics.

On the right, the neoliberal social counter reforms undermine the social bases of the traditional parties, so the latter seek this base by deploying authoritarian, racist, populist, police, attacking immigrants, Roma and Muslims. They accentuate their reactionary course like the Republican Party in the USA. Tendencies to “populist bonapartism” with Sarkozy or Berlusconi reflect a certain instability. Populist or neo fascist movements gain ground, In Sweden, Holland, France, or Hungary. In all the recent elections in Europe, the right and far right have increased their vote.

## **7. Social-democracy confirms its social-liberal evolution**

On the left, the crisis has not led to any “Keynesian turn”. The presence of a socialist president at the head of the IMF expresses the degree of integration of social democracy in the institutions of capitalist globalisation. Unlike in the 1930s, there is no turn to the left from social democracy. The social liberal choice is confirmed. The policies of Papandreou, Zapatero and Socrates show it. The broad orientations of the Party of European Socialists the European level comfort them and show that beyond the tactical positioning of each Socialist Party in the opposition against the right, social democracy has turned into social liberalism.

Even if there are differences between left and right, the integration of social democracy in the neoliberal economic and political systems, relayed by the development of the trade union apparatuses is increasingly strong, We should also note the evolution of the big Green formations on orientations increasingly marked by the centre left.

## **8. Social fightbacks and their limits in political expression**

The most notable element of recent months has been the struggles of *résistance* to the austerity plans. Days of general strikes have taken place in Greece, Portugal, Spain, France. In France, nearly 3 million people demonstrated and participated in strike movements eight times in two months... the Spanish and Portuguese strikes had a historic breadth. One of our tasks is to analyse the forms, content and dynamic of these conflicts. In Britain and Italy, the student demonstrations show the degree of explosiveness of the social struggles. In Germany there have been impressive anti-nuclear mobilisations. The crisis will continue. The attacks will redouble.

There will be struggle, resistance and social explosions according to national particularities. At the heart of these social movements, there is the defence of social gains- jobs, social security, pensions, wages, public services - which are frontally challenged but also the anti-governmental political dynamics stimulated by the practice, style, arrogance of governments or right wing leaders. The accumulation of these experiences, the degree of combination between social and political crisis, the level of self-organisation of the struggles can constitute turning points in the situation.

If there is a new social situation in Europe where people's fightback is being heard, we should note two major political facts:

a) the struggles, even the biggest ones, do not lead at this stage to partial defeats for the dominant classes or victories for the workers and their organisation. We have not blocked the capitalist offensive and still less sent it into reverse. What we can note is that, if the neoliberal counter-reform continues to advance, the workers who have gone on strike and demonstrated in Greece, France, Portugal, or Spain, and the students who have demonstrated in Britain, do not have the feeling of having experienced major defeats. They feel in a confused way that there will be further battles.

b) the second political fact to highlight is that where popular revolt is growing, a gap exists between the social reactions and mobilisations and their political reflection. We should consider the specificities of the situation in each country. In some countries the level of social struggle is weak. But even in the countries where there is a social mobilisation, there is no equivalent at the trade union or political level: there is no organic growth of the trade unions, parties, or left currents in the social movements. How many members or supporters? There is a difference between the movement of members into trade unions and parties in the 1930s and the current situation. In the 1930s the crisis and social resistance led, for example, to the growth by hundreds of thousands in membership of unions, socialist and communist parties, left movements within social democracy. The social liberal evolution renders these parties increasingly "impermeable" to the rises in the class struggle.

But nor have we seen any massive qualitative growth of the trade unions. We might then have expected the development of currents or parties outside the traditional left organisations. At this stage we note no notable progress. Today in France, after an exceptional social mobilisation, we could have expected that the PS candidate for the presidential election of 2012 could be one with a more "social-democratic" profile. Well no, the SP candidate for the 2012 presidential elections is likely to be IMF president Dominique Strauss-Kahn, one of the most right-wing representatives of international social-democracy!!!

One can be prudent in saying that we are at the beginning of the crisis and its persistence will lead to combined movements of social and political crisis, events which will block this or that austerity plan, will allow partial victories, and could reverse the underlying trends of the situation... But for the moment, the obstacles to be overcome to win remain difficult to surmount. The effects of the historical crisis of the workers' movement of the last century are still felt. The building of a



revolutionary socialist consciousness needs new experiences to take shape. We have to note that the level of current struggles even if it is rising in reactions to the attacks of the ruling classes and government has not got a sufficient political dynamic to turn back the decades of neoliberal counter-reforms and lay the basis of an overall counter-offensive and a new revolutionary socialist project. The processes of construction of radical left or anticapitalist parties, in Europe, thus meets a series of difficulties.

## **9. Elements of discussion on our tasks**

In these conditions what are our tasks? The reply depends on the diagnosis made on the crisis which broke out in 2007. Is it a financial episode analogous to all those that capitalism has known in the past, followed by temporary recessions? Or is it a systemic crisis at two levels: because the regime of financial accumulation developed over more than thirty years is exhausted, and because world capitalism has reached a limit linked to the finite nature of the planet and its natural resources. If we take the second hypothesis we cannot be content with policies of reflation through demand and more regulation in the financial system, what is needed is a radical reorganisation of the economy turned to social needs, an ecological reconversion of industry and agriculture, quality non-commodified public services, in short a rupture with capitalist logic, the private ownership of capital and the current system of distribution of wealth.

We need then a plan combining immediate demands with anti-capitalist counter-crisis demands. It is not the workers who should pay for the crisis but the capitalists: defence of social gains, demands, rights, taxation of financial transactions, cancellation of the public debt. This plan can be financed from the banking and financial profits and those of the big capitalist groups. This programme should be accompanied by the "collectivisation-socialisation" of the entire banking system at the European scale under the control of those who use it. Which means through the nationalisation or public socialisation of the banking sector, posing the question of inroads into the ownership of capital. This question of ownership should also be posed through the struggle against privatisation and the creation of big public sectors under workers' and users' control in the key sectors of the economy. It is also posed through the ecological question and the necessary reorganisation and ecological planning over the medium and long term. The ecological dimension has an increasingly significant place, given the natural disasters taking place around the planet, and with the increasing frequency of floods, climatic chaos, landslides, and should take an increasing place in our activity. All proposals of social and organisational reorganisation of production, reorganisation of urban space, transport, energy serving the needs of workers and peoples should be stressed in our agitation.

In Europe, this plan should have a continental dimension. The response to the crisis is not nationalist protectionism and exit from the Euro. That would lead to an exacerbated competition between European countries and new attacks against the peoples so that the countries in most difficulties take the blows; not to mention the development of chauvinistic and xenophobic movements. A response is needed that which is European, social, democratic, and ecologist, but which breaks with the European policies and institutions. In this sense, saving the Euro or the European Union cannot serve as an alibi to redouble the attacks and austerity plans against the peoples. Our response should start from the defence of the rights and demands of the workers and peoples in each country and at the European level. That means the rejection of any policy of austerity. So what is needed is a coordination of the policies and struggles of the peoples in Europe to build a European, internationalist response which prioritises harmonisation upwards, coordination and cooperation to help the peoples hit hardest by the crisis, a policy which makes the capitalists and the bankers pay through a fiscal and social policy benefiting the people and large scale public services, particularly banking.

In an anti-capitalist action plan, the question of democratic rights and demands takes on an important character, notably in the defence of democratic liberties and the defence of immigrants and the undocumented. In the countries faced with dictatorships, this should lead, notably in the context of the popular movements or democratic revolutions shaking the Arab world, to combining social, self-organisation and democratic demands. In Tunisia, we support the democratic demands, the dismantling of the dictatorship and all its institutions, the dissolution of the RCD and all the repressive apparatuses, the formation of a provisional government without representatives of the regime and the convening of a constituent assembly. At the same time, anti-capitalists should support the embryos of self-organisation underway in the struggle against the high cost of living and the protection of the population.

These objectives can only be attained by the social and political mobilisation of millions of workers and citizens and a confrontation with the dominant classes and governments.

More generally, our orientation should stimulate and orient this mobilisation which should combine, social, trade union and ecological struggles, unity of social, trade union and political action of all left forces, calls for and leadership of experiences of social self-organisation. Proposals for a European campaign for the cancellation of the debt or on employment through the coordination of associations and trade unions.

At the political level, unitive struggles should go with the systematic search for independence in relation to social democracy, notably through electoral policies in the big cities, regions, parliament and government. The crisis confirms the indispensable character of a global political alternative to social liberalism and the parties of the traditional left. Finally, we should encourage unity and anti-capitalist alliance encouraging all initiatives of anti-capitalist coordination at the level of sectors, struggles or parties.

**François Sabado**

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