

# Australian Communist



Journal of the Communist Party of Australia  
(Marxist - Leninist)

October - December 2010

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## Contents

1.	Introduction	page 3
2.	Challenging The Ideology Of Social Democracy	page 5
3.	State Of Global And Australian Economies	page 15
4.	Finance Capital And The Australian Economy	page 27
5.	Climate Change And Sustainable Development – Some Questions	page 35
6.	The Role Of Class Analysis In Australia's Revolution	page 39
7.	The State Of Small Business In 2009	page 49
8.	The Significance Of Revisionism	page 53



# Introduction

The world today is in economic, political, environmental and social upheaval. Capitalism and imperialism stagger from one economic crisis to another, created by their own internal and inherently irreconcilable contradictions. Nonetheless, the system of capitalism and imperialism will not collapse on its own, but needs politically class conscious determination and organised mass struggle by the working class and its allies.

Economic crisis and the intensified exploitation of people and the environment has sharpened and broadened the conflict between monopoly capitalism and the growing progressive movements of the people. In these conditions, the revolutionary theory of the working class is an indispensable guide for the protracted and complex struggle for fundamental change.

Revolutionary theory empowers the working class with the consciousness of its own tremendous destiny and the direction of struggle against imperialism and monopoly capital. Marxism-Leninism is the revolutionary theory and practice of the working class, the only class that has the capacity for revolutionary vision and leadership to

put an end to the exploitative, repressive and outmoded system of capitalism and imperialism. It is the most resolute, disciplined and decisive class, and when informed by the science of Marxism, is capable of changing the entire society towards socialism, and ultimately the classless society of communism.

The bourgeois ruling class possesses powerful means to enforce and spread its own capitalist class ideology of the supremacy and permanency of capitalism with its archaic and exploitative relations of production, where surplus value and profits are socially created by the labour power of exploited workers, but privately owned by a tiny minority.

Marxism-Leninism first and foremost is a science firmly based in the material conditions of society and class struggle. Marxism-Leninism uses the scientific method of dialectical materialism to comprehend the objective world and advance the struggle for the betterment of humanity and the environment. It is not a lifeless dogma or a rigid blueprint, but quite the opposite. It embodies the dynamic, and many sided, universal principles and truths crystallised and synthesised collectively by Marx, Engels, Lenin, Stalin and Mao Zedong, (and in Australia Ted Hill, the founding Chairman of the CPA (M-L)), through their own meticulous investigations and detailed analyses of material conditions, including intense participation in the class struggles of their times.

The source of Marxist-Leninist revolutionary theory is found in the rich and long tradition and practice

of class struggle. Its universal and general truths, drawn from accumulated practice, in turn guide and develop the struggle of the working class further. Marxist-Leninist revolutionary theory is unfaltering and uncompromising in its dedication and service to the working class and the oppressed.

The method of dialectical materialism in analysing and changing the world compels an all sided objective examination of the material world and all its interrelated aspects. It reveals that all matter is made up of many contradictory aspects and sides (unity of opposites), and that everything is in constant motion and realignment, within itself and with external matter, and change comes through the resolution of these contradictions in the course of never ending struggle.

This issue of *Australian Communist* examines some of the present conditions in Australia, and its relation to the world. This is mainly a collective effort put together by comrades striving to examine some of the key issues for the Australian working class and people from a Marxist-Leninist perspective. They reflect the collective contribution, discussion and consultation in the period since the 12th Congress in 2009.

All of the topics in this issue require continued investigation and analysis, especially those dealing with the Australian economy and the class structure of Australian society. The articles are not the final say on these matters, but only a start to what we hope will inspire comrades and friends to study Marxism, participate in and

investigate the vibrant characteristics and particularities of the Australian people's struggles and the economic, environmental and social conditions in this country.

It is hoped that our comrades, friends and supporters will respond to the ideas expressed and make their own positive suggestions and contributions to advance the theoretical level and practice of the Australian revolutionary movement.

*"We are Marxists, and Marxism teaches that in our approach to a problem we should start from objective facts, not from abstract definitions, and that we should derive our guiding principles, policies and measures from an analysis of these facts."* - Mao Zedong

# Challenging The Ideology Of Social Democracy Requires Engagement With The People

I

The persistence of social democratic illusions within the working class is one of the biggest obstacles to a wider embrace of the revolutionary politics of the Communist Party and its ideology of Marxism-Leninism.

Often individual communists are respected for their work within their workplaces or mass organisations yet the concept of anything resembling socialism and communism as an answer to social problems is either dismissed as misguided idealism or treated with scepticism.

The ruling class continually wages ideological attacks against communism and is very largely successful in discrediting, through falsification and misrepresentation, the history and practice of Marxist-Leninist ideas in the 20th century. It has framed discussion of communism around a set of simplistic and fabricated “facts”: communist “regimes” are led

by dictators indistinguishable from Hitler; communism represses individual freedom; and communists rule through fear and the imprisonment or execution of opponents.

As powerful as this discrediting is, it is only an external factor in shaping the consciousness of our class. The truth is that material conditions in today’s Australia foster illusions of “democracy” in working peoples’ minds and provide fertile ground for the impact of ruling class propaganda, by clinging to a faith in parliament, by the sincere belief that the Labor Party is better for them than the Liberals, and by sticking with a belief in the rule of (bourgeois) law. In periods of capitalist economic booms, and the unmet demand for labour, the ruling class has greater capacity to rule by deception, make a few concessions to the working class and the people, reinforcing ideas of social democracy, the permanency of capitalism and its ability to satisfy the needs of the majority.

This faith and these beliefs, even in the absence of any mud that the ruling class might throw at communism, are sufficient, for so long as they persist, to act as a formidable obstacle to the conscious embrace of Marxist-Leninist politics by workers.

We label such faith and such beliefs “social democracy”. Challenging social democracy requires active engagement by the Party and its members with other working people.

(History of Social Democracy, see Appendix 1.).

The Australian Labor Party is a social democratic party of a newer type. It was not formed as a Marxist party nor even as a socialist party. It was formed so that trade unions, ultimately defeated in the Great Strikes of the 1890s, could secure representation in the parliaments of the colonies (and in the Commonwealth of Australia Parliament after Federation in 1901) and obtain by legislation improvements in the conditions of the working class.

Although the Labor Party was formed by trade unions, it was open to membership by all sections of society. As the conservative side of colonial politics was dominated by Anglophile pastoralists and business people closely tied to and dependent on British capital and markets, smaller capitalists and the more nationalist and republican-minded sections of intermediate classes also pushed their interests through the evolving machinery of the Labor Party.

In 1912, Dora B. Montefiore, an English-born socialist who had lived for a time in Australia, wrote for the British *Daily Herald* an article titled How "Labour" Bluffs the People. Montefiore said of the "so-called Labour Party in Australia" that it was "only one of the capitalist parties which has bluffed the people that it stands for their interests". She described the "small capitalists (as) the mainstay of the Labour Party":

*"These small capitalists are in Australia being forced downwards by the power of trustified capital into the ranks of wage-slavery; and under the forcing process*

*they are squeaking out, and appealing to the only god they have been taught to trust in – the Parliamentary Labour Party."*

She then further described this Labor Party "god" as "the Trinity-in-Unity of Craft Union Leaders, small capitalists and lawyers on-the-make".

Lenin may have drawn on this very article – he refers to "an English correspondent of the German labour press" – to write about Australia in *Pravda* of June 13, 1913. He observed that "The Australian Labour Party does not even call itself a socialist party. Actually it is a liberal-bourgeois party, while the so-called Liberals in Australia are really Conservatives."

He went on to explain that although "the leaders of the Australian Labour Party are trade union officials (they are) everywhere the most moderate and 'capital serving' element".

Their service to capitalism lay in establishing the infrastructure for the transition from a series of individual capitalist economies located in separate colonies to that required for the development of a modern national capitalist economy.

"Capitalism in Australia is still quite youthful," he wrote. "The country is only just taking shape as an independent state...."

"The ties binding the separate states into a united Australia are still very weak. The Labour Party has had to concern itself with strengthening and developing

these ties, and with establishing central government.

“In Australia the Labour Party has done what in other countries would be done by the Liberals, namely, introduced a uniform tariff for the whole country, a uniform educational law, a uniform land tax and uniform factory legislation.”

Thus, a party created by trade unions to seek to better the conditions of workers through legislation enacted by parliament was simultaneously a party to which a section of the capitalist class and its allies in the professions turned for the modernisation and advancement of capitalism in Australia. There was no irreconcilable contradiction in this. In order to outmanoeuvre the strongest, wealthiest and best organised sections of the capitalist class - tied through kinship, culture and capital to British imperialism – the nascent, weaker and more marginalised groups of capitalists had no alternative but to accept the necessity of buying the electoral support of the working class by offering concessions and reforms through the platform of the ALP.

As the loyalty of the ALP to capitalism was proven time after time, so even the dominant imperialist sections of the ruling class have seen the usefulness of using social democracy. The newspaper magnate Rupert Murdoch has been central to this process, having successfully cultivated and promoted a generation of ALP leaders. At times, the ALP is seen by the dominant, pro-US imperialist sections of the ruling class as a “better horse to back” than the Liberals because it has a better track record of

containing workers’ struggles, in part through its ties and influence over the ACTU and some other trade unions.

The current period is a good example of this where dominant US imperialist interests are comfortable with the job Labor is doing for them on the economic and military fronts, and in reining in the working class. The two great expressions of the latter are the controlling function over the whole working class of subordinating the Your Rights at Work Campaign to ALP electoral strategy, and the attempted taming of the spearhead, the construction workers, through the retained powers of the Australian Building and Construction Commission. The Rudd Labor government’s service to US imperialism in its two and a half years of office was rewarded by Rupert Murdoch’s *The Australian* nominating Rudd for the 2010 Australian of the Year award. (Hawke and Keating were similarly nominated by the *The Australian* for the Australian of the Year awards for their services to imperialism during their terms in office).

The character of the ALP was always that of a capitalist party with its origins in trade unions, organisations that had been brutalised by the ruling class in the 1890s, but which lacked the vision and the capacity to risk the far greater clash required to achieve socialism.

### III

Although the Labor Party membership was overwhelmingly working class and trade unions enjoyed affiliated status within it, the irreconcilability of the objective needs and interests of the two

great classes, capitalist and proletarian, resulted in its members and supporters feeling betrayed time and again. Objectively, there was no betrayal, for the ALP as a party of capitalism was merely managing capitalism in the interests of capitalism.

Warning those in Britain who pinned their hopes on “a Labour Party in Power”, Dora B. Montefiore wrote in *The Call* of October 2, 1919 that “there existed about ten years ago a similar sort of Labour Party in Australia which came into power pledged to break down land monopoly and stand at every point for the interests of the workers. They will have noticed that once in power, whether in Federal or State Governments, these ‘Labour’ Governments declared with sublime insolence that they existed to represent all classes, and started off to prove they meant what they said by systematically strike-breaking at Lithgow and elsewhere.”

Inspired by the Russian Revolution of 1917, and rejecting the service to capitalism of the ALP, the most politically conscious elements amongst the working class formed the Communist Party of Australia in 1920.

This represented the desire and the intention to break politically, ideologically and organisationally from the acceptance of capitalism embedded in social democracy and its Australian representative institution, the ALP.

However, it did not yet speak directly to the broad ranks of the working class who retained their social democratic preference for working peacefully

through parliament, and thus, through the Labor Party.

There are two reasons for this. Firstly, the CPA was not formed out of an experienced mass movement in Australia. In its lack of experience it veered quickly between “left” and “right” errors, particularly in relation to the ALP which it sought, not long after the CPA had formed, to enter. Thus, the resolute Montefiore, in addressing the Comintern in Moscow on 25 June, 1924, made the mistake of depicting the “right wing” of the ALP, rather than the party as an institution, as being of “no serious danger to capitalism” and reported that “the CP is on the point of penetrating the Labour Party and will soon fully belong to it and form a resolute element in it.” Those of us who work in trade unions know that we still have many Montefiore’s who try to channel progressive elements into the ALP to “neutralise its right wing” and set a “progressive” agenda for a party of capitalism.

Secondly, the Australian working class, despite its great struggles from Eureka to the 1890s, and despite the reality of harsh conditions for many at the workplace, was still infected with a way of thinking that saw itself as a class as better off than the working classes of the “old” world. The absence of a residual landed aristocracy and its attendant class snobbery had seemingly made the Australian bourgeoisie invisible, and allowed the growth of that particularly Australian myth that “Jack is as good as his master”. In this illusion, social democracy found the internal basis for its long grip on the workers.

Under the influence of the popularity of the Soviet experience, the Labor Party was compelled at last to adopt a policy of aiming for “socialism” in 1921. However, between that date and the subsequent dropping of the “socialisation plank” in 1975, a procession of state and federal ALP Governments came and went without ever once deviating from their essential task of developing a more efficient and somewhat more “acceptable” – to its working class followers – system of capitalism.

Actually, social democracy has a double-sided function in making capitalism acceptable to the working class and, as noted in the previous section, making the working class acceptable to capitalism.

#### IV

If history alone was sufficient to dispel the social democratic illusions of the majority of workers, then a century of Labor in and out of office in Australia would have done the job.

However, the illusion that parliament belongs to the people and that Labor governments are better for the workers than Liberal governments has been passed on from generation to generation of working class families. A significant minority of advanced, clearly class conscious workers strive for an anti-imperialist national independence and a socialist economic and political transformation. For the majority of workers, there is a combination of a widespread and healthy cynicism regarding those who are elected to parliament in the name of Labor,

and an enduring belief in parliament and Labor as their party. Even when Labor is rejected, it is usually for an independent candidate or one or other of the remaining parliamentary parties (Democrats, Greens, Family First) rather than for a path that seeks to go beyond the confines of the bourgeois democratic institutions.

Kevin Rudd’s articulation of a social-democratic response to the current economic crisis sought to convince ALP supporters that parliament and the Labor Party are capable of finding a way out of the great financial meltdown and the underlying downturn caused by the over-production of commodities. He was quick to label the crisis an international problem of “extreme capitalism” brought on by “regulatory failure” and to declare that “the international challenge for social democrats is to save capitalism from itself”. The remedy for the ills brought on by “free market fundamentalism... and excessive greed” is “a system of open markets, unambiguously regulated by an activist state...”

Thus, he offered the working class an assurance that social democracy, despite the experience of a century of practice to the contrary, will bring capitalism under control, and do it as an act of parliamentary legitimacy.

Yet even before his first term of office ended, Rudd proved to the working class that they are correct to maintain their cynicism. Some of the more noxious features of Howard’s WorkChoices were watered down, and combat troops have been withdrawn from one theatre of the

imperialist “war by terrorism”, but in every other respect the 2007 election of the social democrat Rudd government had merely ensured a fifth term of office for the neo-liberal Howard government policies.

Thus we have the continuation of the construction industry’s war on its own workforce by the reconstitution of the ABCC within the Fair Work Act. You can dig a stinging nettle up from the front garden and replant it out the back, but it’s still a stinging nettle.

And look how former Australian Services Union organiser, former Commonwealth Public Sector Union organiser, former National Union of Workers organiser and former ALP member Grace Collier – now head of her own industrial relations consultancy firm – positively gloats over this little gem that has been put into the Gillard Fair Work Bill. It is worth quoting a few paragraphs from her piece in *The Australian* of July 20, 2009:

Part 2-4, Division 2, of the Fair Work Bill only allows collective agreements to be made between employers and employees. For the first time in our history, a union official’s legal power to sign collective workplace agreements on behalf of workers has been removed.

Breathtaking in its significance, this is something John Howard failed to achieve. Used properly, this could prove to be the most significant workplace reform in years.

...since July 1, the only type of

agreement is a non union agreement, meaning specifically, the only legal parties and signatories to a collective agreement are the employer and the employees, effectively cutting the unions out of the agreement...

Of course, unions can be the nominated bargaining agent of the employees, providing each and every employee appoints them in writing and gives a copy to their boss. In fact, anyone can be the bargaining agent...

This will undoubtedly lead to an erosion of the unions’ command....

Smart, well-organised employers should do very well under the new system.

As the saying goes, “With friends like these....!”

Hawke and Keating, who both became Labor Prime Ministers in the era after the shattering sacking of Whitlam in a US-inspired constitutional coup, became ardent champions of the US-Australia “alliance”. Keating, in particular, set the course for sailing with the wind of monetarist neo-liberalism with the irony that a Prime Minister of a party formerly committed to “socialising” became the chief exponent of a massive agenda for privatising.

From its inception in the early 1890s, the ALP occasionally championed the interests of the local national bourgeoisie against the dominance of foreign economic and political interests in Australia, first British colonialism

and later, after WW2, US imperialism.

At different times it also articulated, though timidly, the Australian people's desire for national sovereignty, including control of national resources and industries, and promoted the development of Australian culture. The Labor Party's strongest support for economic, political and cultural independence - limited to within capitalism - was mainly before and during the Whitlam government's era in office. It reflected the spreading public sentiment for greater independence from Britain and the US, amongst wide cross sections of the people, including the local patriotic national bourgeoisie at that time. This had its positive aspects in assisting the anti-imperialist independence struggle as part of the struggle for socialism in Australia.

However, from the mid 1980s the Hawke and Keating Labor governments fully embraced the US imperialist global economic expansion (imperialist globalisation) and removed the few remaining obstacles standing in the way of deeper penetration of Australia by foreign capital. This has virtually wiped out the few remaining elements of the patriotic national bourgeoisie and locally owned manufacturing industries, and entrenched the Labor Party's complete allegiance to imperialism, in particular US imperialism. Imperialism sustains capitalism in Australia, narrowing Australia's ruling class to mainly international capital and multinational corporations with a shrinking local monopoly tied to foreign capital. The Labor Party is a party of the capitalist class (mainly US imperialism

in Australia) and works for that class unreservedly.

Under Rudd and now Gillard, the ALP embraces US imperialism and is acting in concert with Obama to re-assert the US economic dominance that defines the conditions for the existence of the Australian ruling class. Treasurer Wayne Swan was one of the first in the new Rudd government to whistle Yankee Doodle Dandy when he declared war on Chinese sovereign wealth funds, bringing in new foreign investment guidelines early in 2008 to "ensure that such investment is consistent with the national interest".

In his two and a half years as PM, Rudd and former federal secretary of the Storemen and Packers Union and President of the ACTU Simon Crean, who held the position of Minister for Trade in Rudd's government, vehemently opposed the "buy Australia" push taken by unions to the ALP's July 2009 National Conference. Both were motivated by loyalty to US interests as typified by the Australia-US Free Trade Agreement. Even Gillard's announcements on "fair principles" on government procurement sits nicely with the privatisation of services, which suits large multinationals who can use the tighter procurement standards to help eliminate "bottom feeder" local capitalists or government contractors so that only the big players win the contracts. Thus social-democracy promotes a concentration of capital within a procurement process that occurs on a national and an international scale, with foreign capital in the lead position. By such means is "extreme capitalism"

defeated and “normal” capitalism, which of course would never run to extremes (!) with or without regulation, strengthened for its next onslaught on the working class.

## V

Marxist-Leninists must engage with the vast majority of the workers who are under social democratic influence in order to challenge assumptions about the permanence and desirability of capitalism.

The nature of the Marxist-Leninist Party as a vanguard resides in its ability to express the aspirations of the advanced elements of the working class, but its role as a vanguard resides in its responsibility for taking the ideas and analysis of Marxism precisely to those among the broader ranks of the workers who currently reject those ideas and that analysis.

The presentation to workers of the Party’s immediate demands or minimum program is critical. Demands that are realistic and achievable in the historical short term can connect the Party to workers who are not yet ready to accept the maximum or communist program. This is the way to deal with the ideological dictatorship of the bourgeoisie and its control of the framing of the question of communism. To simply prattle on about our maximum goals is to throw pebbles at the mountain and is, in any case, inconsistent with our understanding of the theory of revolution by stages.

Advanced workers must by all means become involved in the discussion of the historical experiences of communist parties and of the various proletarian dictatorships of the 20th century. Advanced workers can and will reject the way the ruling class defines the historical experience of communism.

But our immediate task is to win the struggle for anti-imperialist independence and for its consolidation under working class leadership.

This means not getting sucked into “left bloc” lifestyles, into patterns of social behaviour characterised by mixing mainly or solely with people of a similar “left” outlook, people with whom it is easy to start a discussion around advanced ideas, with people who won’t knock back the “correct” understandings that can be put forward.

Lenin advised the British Communists to “go into the most common taverns, penetrate into the unions, societies and casual meetings where the common people gather, and talk to the people... strive to rouse the minds of the masses and draw them into the struggle...” (*“Left-Wing” Communism, An Infantile Disorder*). That is, they had to actually seek out the company of workers still influenced by “opportunism” (the term to which social democracy would later apply) and seek them out on their own terms and in their own territory.

In our conditions, Marxist-Leninists must not isolate themselves because of their politics, but must seek out frequent and regular contact with non-communists for the sake of those politics.

For the sake of winning even backward workers to our minimum program, let alone gaining amongst progressive and advanced workers a wider acceptance of the validity of Marxism-Leninism, we must be amongst people who are often difficult to get into a discussion about the things that matter most to us, with people who are not immediately blinded by the sun shining out of our ideological backsides, with people who will put up all sorts of resistance to what we have to say. And there is no better time to be doing this than now, when an economic crisis is making some of those people a little more receptive to talk about the state of play in their workplaces, their communities, their nation, their world. But we have to be there for the long haul, and accept the law of uneven development which creates high points and low points in the spontaneous struggles of the people.

#### Appendix 1.

### History of Social Democracy

In the late 1800s the terms “Marxism” and “social democracy” meant pretty much the same thing. This can be a bit confusing to people wanting to know more about Marxism-Leninism because there are many writings of Marx, Engels and Lenin in which the authors describe themselves as social democrats and talk about how to advance the goals of social democracy.

The term arose as revolutionary socialists drew a line of distinction between

bourgeois or capitalist democracy and proletarian or socialist democracy. Essentially, capitalist democracy gave the people the right every three or so years to select, by voting, which section of the ruling class would rule over them. Such “political” democracy was thus seen as very narrow and very limited. It did not extend to other areas of social life. By contrast, proletarian democracy would embrace all social forms – politics, the economy, culture, military and diplomatic activity and so on – and thereby constitute a social democracy.

The various revolutionary socialist parties that arose in conscious commitment to Marxism throughout Europe in the late 1800s were therefore taken to be social democratic parties. The first of these to seize power for the working class we now know as the Communist Party of the Soviet Union, but it was the Russian Social Democratic Labour Party before, and for some time after, the seizure of power.

At the Second Congress of the RSDLP in 1903, a split occurred between the followers of Lenin and those of Martov. Lenin argued for a vanguard party of workers with advanced consciousness, for a form of party organisation that favoured centralism of powers in its leaders on the basis of democratic membership rights, and for the overthrow of capitalism and its replacement by a state that would be a dictatorship exercised by the workers over the previous rulers of society. Martov argued for a “softer” position: for a party that anyone with half an interest in the movement could join, with a leadership structure that created

obstacles to decisive action, and for reforming and improving capitalism through peaceful parliamentary means without any requirement for proletarian dictatorship.

This simplifies their differences somewhat but it provides a template for similar differences emerging throughout the social democratic (at that time the revolutionary and socialist) movement in Europe.

The emergence of the split between Lenin's Bolsheviks and Martov's Mensheviks within the RSDLP led to the formation of the RSDLP (Bolshevik) as a separate party after 1912. Two years later the First World War between the imperialist powers broke out. Genuine Marxists such as Lenin depicted the war as one for the re-division of the world between competing ruling classes. The workers, said Lenin, should unite against exploitation and oppression and not give their support to their own respective rulers. They should turn the war waged by the bourgeoisie, with the workers as cannon fodder, into revolutions for working class emancipation in their own countries.

Sham Marxists, however, rallied to the patriotism and "national" interests of their respective bourgeoisies. They depicted the workers of "enemy" nations as uncultured beasts engaging in the most depraved and unnatural cruelties, and argued that social progress was now a battle for the triumph of "their" civilisation over the barbarism of others.

These sham parties of the socialist movement, having argued for the

abandonment of the path of revolution in peaceful times, completed their betrayal of the workers in the environment of inter-imperialist warfare.

Representing a minority trend within the world social democratic movement, Lenin and the Bolsheviks successfully applied their theories to Russian conditions, overthrew the Tsarist system that represented Russian feudal and capitalist forces, withdrew the new State from the imperialist war, and set about establishing a socialist system through proletarian dictatorship over the overthrown classes. The working class became the ruling class and exercised that rule through elected Soviets (councils) led by the Bolshevik Party.

The majority of social democratic parties renounced Bolshevism/Leninism but retained the name of social democracy. The Bolsheviks no longer referred to themselves as social democrats.

Those former Marxist parties that had once believed in socialism achieved by revolution and maintained through proletarian dictatorship now embraced reformism and parliamentarism. That is, they accepted methods and institutions developed by and inseparable from capitalism to pursue a vague and poorly defined "socialism". They sought to win concessions for the workers from their own bourgeoisie but would send the workers to die in imperialist wars to protect that bourgeoisie from its rivals.

# State Of The Global And Australian Economies

The problems affecting the global economy show the reality of the capitalist system in relief. The majority of humanity has long suffered unremitting poverty and exploitation. Initial success in building socialism in various countries aside, it has never been any different. The present capitalist economic crisis is deepening this poverty and exploitation to an extent that has not been seen since the Great Depression of the 1930s.

Pronouncements from the mouthpieces of capitalism that the situation is turning around are an almost daily event. It is premature and does not accord with the facts. Indeed Billionaire investor George Soros said on June 10 2010 that “we have just entered Act II” of the crisis as Europe’s fiscal woes worsen and governments are pressured to curb budget deficits that may push the global economy back into recession.

“The collapse of the financial system as we know it is real, and the crisis is far from over,” said Soros. “Indeed, we have just entered Act II of the drama.” Soros, 79, said the current situation in the world economy is “eerily” reminiscent of the 1930s with governments under

pressure to narrow their budget deficits at a time when the economic recovery is weak.

In Australia, the situation is not as dire as in the developing world or in those parts of Europe (Greece, Spain, Portugal, Latvia, Italy, Iceland) that have seen or are facing significant collapses. However, there is still the beginning of a significant decline in the position of most working people. This could easily become even more serious.

Exactly how far the fall will go is uncertain at this time. At worst, millions will be thrown into serious poverty. At best, the standard of living will continue to decline for most people.

The present descent into greater socio-economic turmoil underscores the inevitability of eventual crisis under capitalism. It also exposes the dogged and vicious efforts to secure profits at all costs. The nature of the capitalist economy, including the actions of those who own and control it, is precisely what has created the conditions for greater instability and eventual crisis.

There has been a general slowdown in the global capitalist system since the early 1970’s, notwithstanding some temporary short-term fluctuations. The relatively high finance and speculation driven growth in the later part of this period has not been able to reverse this trend. In fact, it is part of the problem and over emphasis on it has served to largely cover up what is really going on. Ordinary people are further and further away from the false promises of governments, about the prosperity that

deregulation, privatisation, tightening the belt and the open door for the biggest corporations' policies was going to bring about.

Globally, the number of those living on a conservative \$2 a day has doubled over the last three decades and stands at 2.8 billion, or nearly half the world's population. A billion people go hungry every day and 2 billion do not even have clean water.

While the spark that has set the present crisis alight was financial excess in the United States, and the Sub-Prime collapse the immediate trigger, the crisis occurred because of the underlying operations of the capitalist economy, made worse by the extent of reliance on paper profits and digitally conjured virtual capital. Profit has been less and less generated by the creation of new value, and more and more through the process of commodifying fictitious capital through financial speculation. The Bank of International Settlements calculated in 2009 that derivatives had been created to the value of \$US1.14 quadrillion. That is a bubble 18 times the value of the total world Gross Domestic Product prior to the 2008 crisis.

The global and national economies are dominated by capitalist monopolies that have sought to maintain their profits by forcing greater trade and investment liberalisation, in a context where smaller rivals cannot compete. Monopoly extends as the big fish swallow the small fish. Growing monopolisation of the economy both deepens the contradictions existing in production and exchange, and curtails

the existing market through the transfer of national income towards the dominant monopolies.

Because of the rising proportion of capital relative to labour devoted to production, the value created per dollar of capital invested declines and there is a tendency to resolve this with ever more monopoly (concentration and centralisation of capital), and increasing the quantity of output through intensification of the exploitation of labour. The result has been a long term crisis of over-production. The "globalisation" offensive of monopoly capital has been about swallowing rivals and capturing new markets, as a means for the biggest capitalist powers and corporations to extricate themselves from their difficulties.

The financial crisis is a consequence, first of all, of an underlying crisis in the production of commodities, tied up to a declining rate of profit. Marx explained in Volume 3 of *Capital* that the tendency for the rate of profit to fall in conventional industries created an attraction for the owners of finance capital to speculate in financial markets. Capital that would otherwise have been invested in the manufacture of commodities has flooded the world of finance to largely be used for other purposes. Massive expansion of credit and virtual capital, looking for a quick profit, has expanded this reserve of capital further. Speculative bubble has followed speculative bubble. The oil and cash crops are the latest and there is evidence of speculation in mineral prices. Derivatives are not based on increasing the quantity of output, but gambling

on price. In this game, the richest corporations and individuals carve out of the total value society produces the largest slice for themselves, and they do so at the expense of everyone else.

In the global context, the greatest share of world's income is in the hands of 16 percent of the population. The world's 500 richest individuals had a net worth of \$US2.6 trillion in 2005, which is equivalent to the national income of the poorest 48 countries, or 416 million people.

Forty six of the world's biggest multinationals are from the US, European Union and Japan. Nine-tenths of global direct foreign investment outflows totalling \$US2.6 trillion in 2006 were from these centres of imperialism.

Global financial assets, including equities, private and government debt, securities and bank deposits bloated sixteen-fold since 1980, from \$US12 trillion, to an estimated \$US190 trillion in 2007. In 2006, the value of global financial assets was 350 percent of Global Domestic Product (GDP). While it is true that there must be a certain surplus of capital to ensure the conditions for future production and at an expanded rate (expanded reproduction), the figures seen here are obviously a great deal in excess of what has been required.

For instance, say a 10 percent growth in production requires a corresponding 10 percent growth in investment on this production, plus a certain sum for the provision of associated services and

infrastructure. Then devoting an excess amount over what is required does not make sense. Excess investment funds will be drawn away as Marx said, for speculative purposes. This is exactly what has been going on in the global economy. It has made the world of finance extremely fluid and distorted the global and national economies. There is an oversupply of capital in relation to the existing level of production. The illusory and fictional nature of the value contained in speculative finance capital is what economists refer to as "bubbles" and what the rest of us experience as "oh shit!" when the burst occurs.

Overstating the value of finance within real economic growth actually exaggerated that growth and for a long time hid the instability that lies below the surface appearance. The global economy has proved to be much more volatile than many believed.

## Financial Crisis of Capitalism - US Crisis comes home

The situation of the US economy is illustrative and shows the problems of the capitalist system in sharp relief. The trends that have afflicted the world originate from and are also clearly seen in the United States.

Since the 1970s the share of wages in US national income began to decline. By the late 1990s, the share of corporate profits had increased from less than 20 percent to over 40 percent of national income. In 1980 financial assets were at just under 4 times GDP and by 2007 rose to over 9 times. This is startling. Whichever way you look at it, there

has been both a large scale transfer of national income and an explosion in the quantity of financial assets.

Combined American household, corporate and public debt rose to an unprecedented and clearly unsustainable \$US51.1 trillion in 2007, which by itself is nearly 4 times the US GDP of \$US13.8 trillion. This provides further evidence of the existence of a massive excess of capital.

Public debt breaks down into federal (\$US15.8 trillion) and State (\$US12.2 trillion), while private debt breaks down into business (\$US10.1 trillion) and household (\$US13.1 trillion).

The artificial extension of the domestic market, without creating a corresponding increase in the quantity of value produced in the economy, could not continue without eventually producing a credit crisis.

The resurgence of military production has been notable. Feeding this is more intense global competition and the increasing turn of US imperialism towards reliance on force, rather than too much reliance on political and economic pressure and diplomacy. However, the level of military production is not and cannot be sufficient to restore the health of the US economy. Only by way of a conflagration on the scale of World War Two may it be possible to use war and military production as a possible solution.

The current global crisis emerged in the US and spread out because the US has been the dominant predatory economic

power for more than half a century. The very processes that have been hastened through competition, the crisis of a falling rate of profit and overproduction, and extending monopoly have been quickly carried across the planet. The US economy and the rest of the global capitalist economy share the same fate.

## Monopoly capital's increased aggression

A by-product of the current situation is increasing aggression by monopoly capital in seeking to relieve the crisis and maintain monopoly profits.

The emergence of the forces leading to crisis in the 1970's drove the most developed capitalist powers to seek greater inroads into the markets of poorer countries, intensifying what is often called neo-colonialism. There has also been increased contention between these powers. It has led to what was later termed globalisation, a more thorough domination of the global economy by the biggest corporations, mainly of the US, Europe and Japan.

Growing global competition has been accompanied by a more open interventionism by governments of these centres of imperialism, imposing greater trade and investment liberalisation (deregulation), exploitation of labour and plunder of raw materials and markets. Less capital intensive agricultural systems in developing countries have been overrun and vast numbers thrown into hardship.

Usurious debt burdens have been used directly to rob capital from poorer and

dependent countries. In industrialised countries, in particular, debt has been a means to artificially create new markets by mortgaging the future of individuals, families and the economy as a whole.

Even more vicious attacks have been directed against workers, including those in industrialised countries. Real wages have been pressed down, working conditions lost. Workers' organisation and democratic rights in general have been curtailed.

Since the 1990's, the world has witnessed an expansion of the reserve army of labour through the greater use of migrant workers and a more flexible labour market in general. The result is that a substantial proportion of the working class works under inferior conditions, with less pay and ongoing insecurity of employment. Public utilities and even social services have been privatised as new sources of profit.

All of these measures have been imposed to keep up the profits of the private monopolies. Smaller capitalists have shouldered a part of the burden. But workers, peasants and other sections of the global population have suffered much more. This has been replicated in individual nations.

But increasing the wealth of a few and deepening and spreading the misery of the majority has only intensified the underlying contradictions of capitalism and the developing crisis. The dispossession of large swathes of humanity constricts the market and opportunities for profiting from investment, which in turn, further

accentuates the glut of capital and all that goes along with it.

By the 1990's the major capitalist (imperialist) economies became increasingly reliant on gaining profits from purely financial schemes, robbing each other, disconnected from the economy of production. Parasitism, that part of the economy that feeds on the value already created and survives only by taking from others, grew. Parasitism was greatly enabled by advances in information and communications technology.

A most negative aspect has been the use of this technology to fashion complex financial instruments for transferring capital from one hand to another and to hide it from prying eyes. This gave an exaggerated illusion of prosperity and growth in industrialised countries. That illusion is now beginning to be shattered. Unfortunately, this will bring hardship and suffering to those who are made to foot the bill.

By 2000, the crisis was coming to a head. The initial response was a massive expansion of the liberalisation of domestic economies and credit, and the imposition of an unequal free trade regime and further expansion of credit in the global economy by imperialism. The crisis has deepened. The house of cards is now beginning to wobble and parts topple.

Capitalism is limited in how it deals with the crisis, because it is rooted in the system's fundamental contradiction between private ownership of the means of production and the social

nature of production. This is at once the foundation of the crisis and the brake on its resolution.

The new Keynesianism now being promoted and based on greater government intervention to provide stimulus packages, corporate lifelines and bailouts will not be sufficient in itself. It pretends that the problem is merely about financial excesses of individuals.

The US working class was particularly quick to reject the Obama administration's bailout of some of the world's biggest banks and corporations. Quite correctly they demanded that government financial support be directed at the poor, not the super-rich. They also saw that unlike their own treatment when assistance has to be sought, that there were very few conditions placed on the big monopolies being bailed out by Obama. Fundamentally, their speculative proclivities remain unchanged. Wolfgang Munchau writing in the Financial Times in early March 2010 said: "I cannot understand why we are still allowing the trade in credit default swaps without ownership of the underlying securities... A naked CDS purchase means that you take out insurance on bonds without actually owning them. It is a purely speculative gamble. There is not one social or economic benefit. Even hardened speculators agree on this point. Especially because naked CDSs constitute a large part of all CDS transactions, the case for banning them is about as strong as that for banning bank robberies." Many other similar forms of speculative activity continue

unabated.

Government bailouts of big banks and corporations simply fund a continuation of the problem and expand government debt, shifting private capital's debt, and this in turn adds to the pressure to extort more from the people in the way of taxes and fees, or to attack their living standards through cutbacks to government programs and services. If all else fails, governments turn to the printing presses and create additional paper money, thus fuelling inflation.

In Australia, stimulus spending transformed corporate losses into expanded government debt which should be paid for by the rich through corporate taxes, enforced restraints on bankers and corporate pirates, and nationalisation.

## Continuing challenges to Imperialism

Ordinary people face great challenges in the struggle against oppression and exploitation and to overcome the present crisis. The international mechanisms of world trade, investment and economic life, dominated by the United States, are restructuring national economies to favour imperialism even more and away from the interests of the peoples living in these economies. This domination crafts domestic economic and political regimes in a manner most favourable to the multinational monopolies of the imperialist powers. State force is used to implement the desired measures and suppress those who resist.

For most of the world's population the options are narrowing down. The working class, farmers, indigenous populations and others are facing the necessity to resist in order to avoid utter destitution. In this they are confronted by a common enemy. Peoples around the world are increasingly compelled to unite against US imperialism in particular. It is the main characteristic of global politics today.

## The people's struggle

Millions are rising to meet the challenge of fighting against economic, political and military aggression. Armed struggle against imperialism and local monopoly bourgeois and landlord forces has intensified in some countries. Broader forces are being united and mobilised and aim at national liberation, genuine democracy and a new system that is for the majority and not the minority.

Unequal trade and investment arrangements are being rejected. More and more countries outside the major imperialist centres are demanding that the current global economic regime be replaced with a new fair trading and investment system that treats all nations and peoples as equals. People want international relations of cooperation and solidarity between peoples.

There is a growing demand for more progressive, sustainable and democratic economies in the global and local contexts. Canadian workers, for example, at the mercy of their imperialist neighbour, are responding to demands of "Manufacturing 'Yes!', Nation Wrecking 'No!'" Without

control over the economy in the hands of the majority, there can be no genuine political democracy. Increasing numbers are seeing the need to bring this about.

Neo-colonial and other dependent economies strive to break from the imperialist hold, so that their economies can be re-established and drastically transformed to serve the needs of the great majority. There is also a growing call for genuine national industrialisation and for the provision of basic and vital needs for housing, food security, health care, education, and a decent income for all, in a manner that is humane, just, does not exploit others and is ecologically sound.

The peoples of the world want to be in control of their lives, as well as being at the centre of building just and peaceful societies. To these ends, they contribute their efforts to building and strengthening democratic mass movements. These efforts point towards the reality of an upsurge in democratic and revolutionary movements worldwide.

## Australia's position

The state of the US economy and the global situation affect Australia directly and decisively. Australia is a dependency primarily of the US, and engages with the global economy. These factors have a critical bearing on what happens in Australia.

So do domestic factors. Trends observed in the US and global economies are also experienced in this country.

More than 2000 companies, with a total market capitalisation of \$A1.6 trillion, were listed in the Australian Stock exchange in 2007. Portfolio investment made up about 63 percent of total foreign investment. In dollar terms this is \$31 billion. In the 1980's it was around 4 percent of GDP. By 1992 it had grown to 10 percent and in 2007 reached 19.5 percent.

Over recent decades, trends in direct foreign investment correspond to the worldwide expansion in the flow of capital out of manufacturing in the developed capitalist economies, to take advantage of weaker competitors in other parts of the world. There has been a shift away from manufacturing to the services sector, coinciding with a period of financial liberalisation, which in Australia occurred under the Hawke and Keating governments.

One of the effects of this shift was that it began to fuel the speculative bubbles of the dot.com world, stock market and real estate. Even more serious was its effect in distorting the Australian economy, away from its production base.

Australia has the biggest superannuation fund pool in the Asia Pacific region and the fourth largest in the world. It sits at around \$A864 billion and is a prized jewel. The pool's size and rapid growth has offered substantial profit opportunities for international financial groups. They have taken advantage of this. Overseas corporations manage around half of Australia's superannuation investment funds. That is, control of around \$A430 billion is in the hands of American and European

interests. These funds have largely been used to secure a source of profits from speculative activities. They have not been used meaningfully to strengthen Australia's manufacturing base and the economy in general. Now that the situation has gone pear shaped, workers and retirees find that they have lost a substantial portion of the value of their superannuation contributions.

By adding the amount of superannuation funds under the control of overseas corporations to the amount of foreign direct investment, we get \$A761 billion. Then add to this domestic capital of about \$A1.42 trillion and we get \$2.18 trillion. This is substantially in excess of GDP, which was valued at \$A1.3 trillion in 2007.

Debt levels in Australia are also very high. Between June 2003 and March 2008, Australia's foreign debt expanded from \$A582.7 billion to \$A1.42 trillion. Foreign liabilities expanded from \$A945.7 billion to \$A1.65 trillion over the same period. The amount of capital linked to the global economy and directly tied up with foreign corporations stands at \$A2.4 trillion. This is almost twice Australia's GDP.

Add the quantity of capital that is tied up with subsidiaries and other company structures that on paper show Australian ownership, but in reality hides foreign control, if not ownership, and the figure is even higher.

Australia's public debt is relatively low when compared to other industrialised countries. The reason is that for over two decades, governments have transferred

public debt over to private debt. Rather than disposing of the problem, its form has been changed. The key to the Australian debt problem is private debt.

Since 1984, the ratio of Australia's private debt to GDP has grown by an average of 4.2 percent every year and by 2007 stood at 156 percent. There has been a rise in Australia's domestic debt from \$A136 billion in 1988 to \$A952 billion in 2007, a sevenfold increase. Private business debt has consistently been just under half of household debt.

The Australian economy has increasingly relied on borrowing rather than on income to keep on functioning. The following rough figure can be deduced from the above data. Australia's private debt stands at around \$A1.4 trillion.

After interest payments, households are poorer now than they were in 2002. A growing proportion of the investment in housing (now over 30 percent) was turned over, not to providing new housing stock, but towards speculating on the price of existing housing by investors, often taking advantage of the generous negative gearing opportunities provided under legislation. Mortgage repayments and rents began to blow out and after 1990 at a rate that was 450 percent of the rise of income. Personal debt followed later on a very similar trajectory. Aggregate household debt payments, other than mortgages, now absorb 15 percent of household disposable income, compared with 8 percent in 1990.

There is an extension of monopoly and a crisis of a falling rate of profit and

overproduction. Manufacturing is in rapid decline. The last three decades have led to the growth of a top heavy financial sector, burdened with capital leaving production and added to by credit and virtual capital. This has been channelled into speculative bubbles. Huge investments in Australia's natural resources are rewarding multinational mining corporations and the massive financial institutions associated with them, with massive profits. Decline in manufacturing and uncontrolled mining of natural resources is re-shaping Australia into a quarry with no value added industries. This will result in the country's even heavier dependency and vulnerability to imperialism.

Australia is faced with serious long-term external and internal debt and the threat of growing unemployment, underemployment, casualisation and job insecurity, as workplaces wind back and shut down. At the start of 2009, there was general public agreement by a range of forecasting institutions and economists that up to 250,000 jobs could go in the short term. This is a big number in terms of the size of Australia's population of 23 million.

It all threatens to snowball into a much deeper crisis or at least into a continuation of the cycles of crises which bedevil capitalist economies.

Over the past 30 years, national income has been redistributed towards corporate profits and the richest individuals, from around 17.5 percent in 1980, to around 30 percent now.

The burden of the crisis is being put on the backs of Australia's working people and smaller businesses. Public sector cut-backs are likely to continue, despite a few short-term and inadequate increases. Billions of dollars in corporate handouts have already been delivered. This has come out of government funds and will leave less for other needs. In other words, Australia's working people and smaller business owners will be made to foot the bill for the handouts through increased taxes.

Monopoly corporations, particularly the expanding mining sector, demand bigger investments of public funds into infrastructure needs for big business. Public funds are redirected away from needs of the people in public health, education and public transport and handed out to the multinational motor vehicle industry, whilst there's little government investment in developing renewable energy industries.

Furthermore, these handouts are given with no strings attached. There is some evidence that it has already been misused to pay overseas owners (eg car industry) and speculation in real estate and other places. At the very least there should have been some conditions imposed, such as, compulsory support of manufacturing, support for smaller businesses and to raise the disposable income for day to day necessities of consumers.

Attacks on workers' union organisation and other forms of organisation of the working class and other Australians that pose a challenge to the existing order will continue. The state will be

used as a means to impose a regime that will favour the monopolies even more thoroughly. An Australian Labor Party government will not change this. Ample evidence is provided by the accelerating rate of back-flips on previously made promises.

Australia has been partially protected by the mineral resources boom, mainly the result of demand from China. It has been a major source of expansion of production in the minerals sector. That is the positive side, at least in respect of employment opportunities. The negative is that an over-reliance on mining, in the absence of value-adding before export, serves to further depress the manufacturing base and distort the overall economy.

Australia's mining resources industry should be developed in a planned way to build a self-reliant and balanced national economy and protect the natural environment. In the short term, profits and taxes from mining should be ploughed into developing a viable and sustainable local manufacturing industry with an emphasis on value-adding prior to export in the case of minerals, and with ecologically sustainable and energy renewing industries as a priority. The realisation of these tasks raises the need for an anti-imperialist state power led by the working class and its allies.

## Challenges for Australians

There is absolutely no doubt that an even more serious recession in Australia is a real possibility. It demands urgent action. This means a clear turn towards an alternative economic direction.



This alternative direction must be one that does not put the wellbeing of big business above everything else. It must put the wellbeing of the people and the natural environment in the first place and be able to mobilise resources and the people of Australia to create a new economy. Under working class leadership and with careful planning and goal setting, balance can be introduced to the various sectors of the new economy for the purpose of securing a prosperous, just and sustainable future.

Australians too, are compelled by circumstances to fight against the attempt to impose the burden of the crisis on their backs. As the crisis bites deeper, Australians will be compelled to lift the scale and scope of this fight. In doing so, a road out of the present mess will be charted. By necessity, this must point in the direction of putting an end to the present domination of imperialist finance capital. The working class alone is capable of carrying this to fruition

and of gathering around itself allies for the task of building a new society. The working class must take the lead within the ranks of those classes and social strata rejecting capitalism and fighting Australia's subordination to the interests of imperialism. The independent Australia that emerges from the present era of imperialist control will only survive and develop to the extent that the working class wins the struggle for a socialist direction in the new economy.

Achieving this requires a conscious effort from those who can already see the big picture. This means to double our efforts to build a broad political front that brings together all possible allies, who despite differences of opinion, agree on the need for a progressive and democratic direction, who wish to see the economy and political system guaranteeing the vital needs of all, and who internationally, seek to establish proper and equal relations with all nations and peoples.



# Finance Capital And The Australian Economy

The Reserve Bank of Australia recognises three types of institutions of finance capital in Australia.

1. Authorised Deposit Taking Institutions (ADI), such as banks building societies and credit unions.
2. Non-ADI financial institutions, such as merchant banks, finance companies and companies issuing securities.
3. Insurers and fund managers, such as life insurance companies, general insurance companies, superannuation and approved deposit funds, public unit trusts, cash management trusts, common funds of trustee companies and friendly societies.

Between 1945 and the early 1980's legislation provided some protection for the banking institutions operating in Australia, but having close ties to British capital. Despite their reliance on British imperialist finance through deposits and overseas borrowings, new foreign banks on Australian soil or takeovers of existing banks were not permitted.

However, there were no such restrictions on non-ADI financial institutions, at least until the 1970's. And it is through the merchant banks that most corporate funding and financial corporate lending occurs.

One reason for the existing level of protection for the existing banks was the need for the government to use them as instruments of monetary policy, through which control was kept over the amount in circulation, its availability and its cost (through interest rates). In other words, they were institutions whose regulations served the needs of the capitalist system and they could be used to ease or tighten the financial pressures on the mass of the Australian people, as required by the capitalist economy.

This had occurred since the British colonial invasion of Australia but became more pronounced in the period during and after the 1850's Gold Rush, and continued until 1945. During the same period there had also emerged a measure of local Australian capitalism. Although fairly small by comparison, the Australian capitalist class was able to rise sufficiently to make its presence felt. In this respect, there was also a degree of protection of these interests.

In 1979, the Fraser government established the Campbell Committee to enquire into the financial system. The committee recommended opening the financial sector to greater foreign investment. This coincided with the period where the Australian economy and society had become securely locked into the US sphere of orbit. It was only two years since the infamous

US linked coup against the Whitlam government. The shift towards loosening foreign investment controls in the financial industry was in part a means to consolidate the position of US imperialism in Australia against the interests of British imperialism. It was also in part to weaken Australian national capitalism. Fraser's deregulation was a great service to US imperialism and those sections of the Australian bourgeoisie most closely linked to imperialism, as it facilitated the deeper integration of imperialist and local capital markets. Nevertheless, neither Campbell nor the Hawke Government's Martin Committee of 1984 could escape the fact that the Australian people are strongly opposed to foreign ownership and control; hence some regulation remained to prevent a "socially unacceptable loss of resident ownership and control." Subsequently, under Hawke – a great servant of US imperialism – fifteen foreign banks commenced operation in 1985.

In 1986, again under Hawke, the government announced that all controls over foreign investment in non-ADI's except for rare instances where "national interest" as defined by pro-imperialist politicians applied, would be removed.

Keating - that great Labor embracer of imperialist globalisation – encouraged the establishment of further foreign banking institutions in 1992, by removing the limit on the number of new banks that could be established here. He also gave the go ahead for foreign banks to take over smaller Australian banks, excluding the Big Four (Commonwealth, Westpac, ANZ

and NAB), which remained central to the implementation of government policy.

The impact of financial sector deregulation throughout the Fraser-Hawke –Keating years is seen in the following table. Note that the table underestimates the degree of foreign investment, because it does not consider foreign ownership by less direct means. Despite this weakness, it is still quite clear.

Foreign ownership doubled in the banking sector, but remained relatively low (at least in an open sense), given the dominant position of the Big Four banks, and increased dramatically in the merchant banking and securities (authorised dealers) sectors, where most corporate financing and speculative investment occurs. In the banking sector, only two foreign banks operated in 1983, when the Hawke era began (a New Zealand bank and a French bank that had opened branches here before 1945 and were subsequently allowed to stay). However, by the end of the Hawke era there were eighteen foreign banks or foreign bank subsidiaries. Between 1991 and 1996, the Keating years, that number grew to thirty.

The newly elected Howard government announced in 1997 that the blanket prohibition on foreign takeover of the four big banks would be removed and that any proposal would be judged on its merits. Note that historically a measure of foreign ownership of these banks was possible through the use of non-ADI institutions, insurers and fund managers, and nominee companies that provided

Table 1: Level of Foreign Investment in the Financial Sector  
(end-June 1978 and end-June 1996)

Category of Institution	Total sector assets		Assets controlled by foreign owned institutions		Share of assets controlled by foreign owned institutions	
	\$ billion		\$ billion		per cent	
	1978	1996	1978	1996	1978	1996
Banks	44	483	3	70	7	15
Building Societies and Credit Unions	10	28	0	0	0	0
Merchant Banks	4	59	2	56	62	94
Authorised Dealers	2	4	0	4	22	100
Finance Companies	17	49	6	18	34	37
Other NBFIs	2	20	0	3	0	16
Life Companies	12	127	2	45	13	36
Non-Life Superannuation	9	154	0	42	0	27
Managers for Public Unit Trusts	-	55	-	23	-	42
General Insurance	6	58	2	18	33	31
Friendly Societies and Common Funds	-	13	-	0	-	0
Total Financial Sector Assets controlled by Foreign Institutions (per cent)					14	27

- data not available.

Sources: Financial System Inquiry Final Report (1997); Australian Financial System Inquiry Interim Report (1980) and Reserve Bank of Australia.

an appearance of nominal Australian ownership, hiding the true extent of foreign ownership. British imperialism had benefited the most from this. US imperialism was also benefiting, but sought to have the restrictions on it lifted to create new space in relation to its rival and impose its stamp of dominance. Deregulation facilitated this.

Following the signing of the Australia US Free Trade Agreement (AUFITA) in 2004, acquisitions of interests in the Australian financial sector companies were exempted from the foreign

Acquisitions and Takeovers Act (1975), thus further facilitating the entry of US capital into the Australia finance sector.

Mark Vaile, Howard's Minister for Trade reported slavishly to the US Trade Representative Robert B Zoelick on the day that the AUFITA was signed, that the Australian Government "recognises that foreign ownership of financial sector companies can result in a range of benefits, such as injections of capital, access to new skills and technologies, and enhanced competitive pressure on the domestic market." We will comment

on some of these a little later.

Vaile also obsequiously reported to the US overlords that since the announcement of the 1997 policy change, “there have been over 250 foreign investment proposals in the financial sector decided with no rejections. Of these, 14 proposals were valued between \$500 million and \$2 billion, and over half of the 14 involved acquisitions by major US companies. In total, over the three years from 2000-01 to 2002-03, almost \$35 billion worth of foreign investment proposals in the financial sector...were approved. Over a quarter of the total equity in Australia’s banking and general insurance sectors is now owned by non-residents. The Government of Australia allows 100 percent ownership of financial institutions, with some 40 foreign-owned banks...”

Privatisation initiatives in the financial sector also served imperialism well. For example, the Australian Government established the Housing Loans Insurance Corporation in 1965 to provide government protection for lending institutions against the possibility of home mortgage defaults. In 1997, Howard sold this off to the US General Electric Mortgage Company which in turn sold it to the newly-listed US insurer Genworth. Together with QBE, Genworth dominates the lenders’ mortgage insurance industry in Australia, an industry which even in recent times has been reporting solid profits.

Generally speaking, British finance capital has had a long history of

dominance in the finance industry. It maintains considerable strength. But a feature in recent times is that US capital has been closing the gap. US capital now leads in non-ADIs and funds managers, and challenges its British counterpart in insurance. US capital has made large incursions into the four banks, particularly the Commonwealth, Westpac and the NAB<sup>1</sup>. A large part of this has been through non ADIs, funds managers, insurance companies and nominee companies, rather than through direct ownership of shares. Because these other institutions are often registered in Australia, their ownership is not recorded as foreign ownership in official statistics. There has also been a considerable rise in direct US foreign investment, especially at the hands of Citibank and the Chase Manhattan Bank. Japanese capital has hardly any presence in the Australian financial sector. Collectively, the European Union is relatively strong.

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<sup>1</sup> Even within banking circles there is growing unease that the profit motivations of the lending sector are at odds with the needs of the productive sectors of the economy, and of small and medium-sized businesses in particular. Joseph Healy, head of NAB’s business banking division was quoted in the Weekend Financial Review (March 13-14 2010) as saying that the banking sector would rather lend money for buying houses than for growing small business. “A banking system that likes funding mortgages instead of funding small business is potentially creating problems for the future in our productive capacity as an economy”. Naturally Healy refrained from suggesting a state-owned and operated banking system required to make investments that served the interests of the people!

**Table 2. Ownership of equity in Australian Enterprise Groups(a), by Non-residents**

	30 June 2005		30 June 2006		30 June 2007	
Geographical location of immediate investor by Sector/Country/Country groups	\$b	(%)	\$b	(%)	\$b	(%)
All sectors	425	100	507	100	634	100
United Kingdom	117	28	146	29	183	29
United States of America	136	32	167	33	212	33
Japan	21	5	24	5	27	4
Other countries(b)	150	35	170	34	213	34
OECD	351	83	421	83	524	83
APEC	195	46	232	46	290	46
EU	162	38	196	39	242	38
ASEAN	11	3	13	3	16	3
Sectoral components(c)						
Non-financial corporations(d)	306	100	369	100	459	100
United Kingdom	83	27	106	29	131	29
United States of America	94	31	116	31	146	32
Japan	18	6	21	6	24	5
Other countries(b)	111	36	127	34	158	34
Banks	55	100	62	100	76	100
United Kingdom	26	47	30	47	36	48
United States of America	17	32	19	31	22	29
Japan	1	1	1	1	1	1
Other countries(b)	11	20	13	21	16	21
Non-bank deposit taking institutions	14	100	14	100	16	100
United Kingdom	-	2	-	3	1	8
United States of America	9	68	10	71	10	66
Japan	1	7	1	6	1	6
Other countries(b)	3	23	3	20	3	20
Other financial sub-sectors(e)	50	100	61	100	83	100
United Kingdom	9	17	11	17	14	17
United States of America	16	32	22	36	33	40
Japan	1	2	1	1	3	3
Other countries(b)	25	49	28	46	34	41

- nil or rounded to zero (including null cells)

(a) Total equity held by non-residents, includes direct and portfolio equity investment.

(b) Includes unspecified and all other countries.

(c) Data for Reserve Bank are not shown, as there is no foreign ownership in this sub-sector.

(d) Includes private non-financial corporations; and national, state and local public non-financial corporations.

(e) Includes life and other insurance corporations; central borrowing authorities; and other financial institutions.

Imperialist finance capital has impacted on the financial sector workforce by requiring “increased efficiencies” as companies try to undercut each other in an increasingly competitive environment. Although assets under control of this sector have steadily increased, the number of employees has fallen, transferring a greater workload and greater work intensity into a shrinking workforce. As the Financial Sector Union notes too, bank employees’ wages have been held back, forcing workers into a reliance on commissions on ever-increasing sales targets designed to persuade customers into taking on more debt than they need, or using financial products that are not in their interests. The FCU call to ban sales targets and commissions for bank workers, and to provide instead a realistic wage, is one that is in the interests of all Australians.

It naturally follows that bank customers have suffered with the greater penetration of imperialist finance capital as retail banks impose huge fees for service and charges for bank products, both to meet capital raising requirements needed to compete against each other and in the ever-present drive to secure maximum profit. Foreign banks have also led the innovations for extending consumer credit and offering on-line banking through home computers, trapping many households in vicious cycles of personal debt.

Despite the greater access of imperialist capital to Australian financial markets, sold as a promise to Australian bank customers that more competition would open up the market and deliver a better

deal for customers, the tendency towards concentration and monopolisation has proceeded apace. A recent study by the Australia Institute found that:

- Currently the underlying profits of the Big Four equate to almost 3% of GDP, up from less than 1% in 1986. Of every \$100 spent in any form in Australia, nearly \$3 ends up as underlying profit for the banks.
- The Big Four banks now control more than 75% of all bank assets and banks account for over 90% of all lending by financial institutions in Australia.
- This has distorted competition, allowing them to become extremely profitable with underlying profits of around \$35 billion, some \$20 billion of which are a result of their monopoly position.

The following table<sup>2</sup> shows the explosion of pre-tax profits (with bad debt provisions deducted) recorded by the Big Four since 1986.

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<sup>2</sup> Tables 3, 4 and 5 taken from “Money and power: The case for better regulation in banking”, The Australian Institute Paper No. 4, August 2010

Table 3. Historical performance – profit before tax (\$m and % GDP)

	1986	1989	1999	2006	2009
ANZ	357	773	2162	5214	4380
Commonwealth	396	813	2498	5704	5975
National	484	1110	4141	7275	6962
Westpac	540	926	2026	4547	6096
Total	1777	3622	10827	22740	23413
Percent GDP	0.7	1.0	1.8	2.3	1.9

The unmistakeable trend is for greater and greater growth of profits in the banking sector. Although the world economic crisis is recorded here as resulting in a lowering of bank profits as a percentage of GDP in 2009, this

is partly explained by the much larger provision made for bad debt by the banks in the year to September 2009, as shown in the following table, as well as much greater activity in the resources sector.

Table 4. Profits in recent years – Big Four banks (\$m and % GDP)

	Year to Sep-06	Year to Sep-07	Year to Sep-08	Year to Sep-09
Pre-tax profit	23043	25398	18856	22096
Bad and doubtful debt provisions	1801	2278	6675	12993
Underlying profit	24844	27676	25531	35089
		% GDP		
Pre-tax profit	2.38	2.43	1.67	1.84
Bad and doubtful debts	0.19	0.22	0.59	1.08
Underlying profit	2.57	2.65	2.26	2.91

The Big Four banks clearly have not suffered during the world economic crisis. The common bourgeois explanation is that they are relatively highly capitalised and have been able to withstand the pressures that saw internationally many banks close or remain open through tax-payer bailouts. The August 12, 2010 announcement of record profits by the Commonwealth is typical of how they have fared: “The Commonwealth Bank of Australia’s (The Group’s) statutory net profit after

tax for the year ended 30 June 2010 was \$5,664 million, which represents a 20 percent increase on the prior year. Cash net profit after tax for the year was \$6,101 million, an increase of 42 percent.”

Smaller banks, those outside the Big Four monopoly, were not in the same position of being able to claw back profits from fees, charges or interest increases.

Table 5 Performance data of the smaller banks (\$m)

	Year ended June-08	Year ended June-09
Charge for bad or doubtful debts	449	1808
Profit before tax	4589	1846
Total underlying profit before tax and losses	5038	3654

Performance indicators as % of GDP

	Year ended June-08	Year ended June-09
Charge for bad or doubtful debts	0.04	0.14
Profit before tax	0.37	0.15
Total underlying profit before tax and losses	0.40	0.29

Table 5 shows that in the wake of the global financial crisis, their relative position has declined with profit before tax almost halving. The contrast between the Big Four and the also rans is quite clear.

The spectacular growth of imperialist finance capital in the merchant banking system referred to earlier has been accompanied by the steady worsening of Australian capitalism's foreign debt position. The ratio of net foreign equity to net foreign debt was 1:4 in 1992-93; it has deteriorated steadily since and stood at 1:11.15 in March 2009. What this means is that capital flows between Australia and the rest of the world have been much more about syphoning capital out of the country by foreign owners and creditors, and much less about Australia acquiring overseas assets.

Thus Australian capitalism has an increasingly weakened position in respect to imperialism precisely at the same time as imperialist finance capital has had the door to Australian capital markets opened by subservient

governments of both Liberal and Labor persuasions.

In summary, the Australian financial sector is characterised by the dominant position of big monopolies with their concentrations of power and capital, by a tendency towards further concentration in the wake of deregulation to meet the needs of the globalisation agenda, and by the growth of imperialist penetration of Australian financial markets. Financial services workers and the general public are being squeezed in the inexorable drive for maximum profits by these big monopolies. The answer is state ownership of banking and financial institutions in an independent Australian republic under the leadership of the working class.

# Climate Change And Sustainable Development – Some Questions

There is a growing awareness by millions of people across the globe that the way economies develop impacts on the environment. Sustainable development is an urgent matter. If societies continue on the model of development of capitalism where profit maximisation and growth for more profit predominate, the planet and its atmosphere will struggle to sustain human life. Global warming, pollution of river systems, destruction of forests are just three examples of capitalism's destructive global footprint.

As a result of this growing awareness, there is an intense struggle of ideas on what courses of action to take.

Within Australian parliamentary circles, the main political parties make claims to having 'the balance right' regarding their policies on climate change and other environmental issues. Their main problem is that they know that the kind of action that needs to be taken urgently could lose them the next election. Decisive government action on climate change will receive a big backlash from those sections of big business that control the economy. So at the very best, their policies support gradual change which minimizes the impact on big business's profits and which they hope

will maintain people's jobs to avoid a voter backlash.

Meanwhile in the scientific community, the real debate has shifted from a debate between 'climate skeptics' and those scientists who say that human economic activity does have an impact on global warming to a debate about what needs to be done that is within human control to make future human life on this planet sustainable. This is reflected within the many community and environmental groups and even within governments. Reputable scientists who for example support an end to a 'fossil fuel' economy may differ on what energy sources should be used for future sustainable development. The clearest example of divergence of views within the environmental movement is on the question of nuclear power. Is it 'green power' or is it as dangerous to the future of humanity as continued reliance on fossil fuels? Even if nuclear power is 'green', what about the uranium mining needed to create nuclear power? If nuclear is 'green', should the rights of Indigenous peoples be subordinated to the need to mine more and more uranium? If nuclear power is 'green', and reducing greenhouse gases is primary, does it matter if uranium mining pollutes underground water systems and whether radioactive carcinogenic particles and gases escape into the atmosphere during the mining process, as claimed by some environmentalists such as Helen Caldicott and David Bradbury? Does continued mining of uranium increase the likelihood of nuclear weapons being used as the contradictions between imperialist powers and/or imperialism and oppressed nations intensify?

## START WITH THE SCIENCE

As Engels did in *Dialectics Of Nature*, one has to start with the science to come up with answers. To the lay person, nuclear energy as an option to fossil fuels is being promoted in the daily press as a sensible, safe option. France has 80% of energy supplied from nuclear power plants. There has been no major disaster there as yet. Some well respected scientists who are passionate about the need to take drastic action to reverse global warming are pro-nuclear. For example, Barry Brook, Professor of Climate Change at the University of Adelaide and a biologist, argued in an article in *The Advertiser* on 4/8/09 that Australia's natural gas supplies are limited, produce vast amounts of CO<sub>2</sub>, while coal is "twice as bad" as natural gas in terms of carbon emissions and dumps heavy metals, soot and chemicals causing acid rain. "Clearly we must hitch ourselves off the fossil fuel energy bandwagon, quickly". He then argues that Australia is "endowed with far more energy than all the oil and gas in the Middle East" in the form of uranium and that Australia should therefore 'go nuclear'. He adds that "nuclear power station companies are now focusing on designing smaller-sized reactors that are built to a standardized, ultra safe design, in a factory, and then shipped to site... The age of huge plants, which can be difficult to finance and take many years to build may soon be history". He then ends the article by saying, "It's time for Australia to embrace nuclear power as a major enabler of a low-carbon economy. Companies like Rio Tinto recognize this need. We all should".

Does Brook's favourable comment about Rio Tinto moving in to profit from nuclear power plants in Australia make one suspicious or cautious? What is Rio Tinto's record like regarding care for the environment? Can a multinational like Rio Tinto be trusted to build safe pollution free nuclear power plants in Australia?

Other well respected scientists within the environmental movement argue that the risks are too high with nuclear power and that like coal and natural gas, uranium is a finite resource. Furthermore, there are other forms of energy that do not rely on extracting minerals or gas from the ground as an energy source. These energy forms are solar and wind power. A Victorian based group Beyond Zero Emissions argues that a rapid transition from fossil fuel dependency is possible with wind power and solar thermal power and storage. Solar thermal power and storage means heat generated by the sun is stored in tanks so that it can be used to produce power 24 hours a day, not just daylight hours. This technology is well advanced according to Matthew Wright from Beyond Zero Emissions. At a "100% Renewable by 2020 Forum" in Adelaide in July this year, Wright said that Australia only needed 120,000 hectares of land for solar thermal power and storage to power the whole of Australia. Transmission of power through high voltage DC cables is now possible. Wind turbines to produce electricity would be used as a back up to solar power in the Beyond Zero Emissions plan to move Australia from "riding the coal dredger". Spain and parts of the USA are the leaders in this

form of 'green power' with solar power in the USA now generating more power than the total power currently used in the whole of NSW. Wright claimed that China has halved the cost of producing a wind turbine in the space of one year and increased production of them tenfold.

What do the scientists backing solar and wind power say about nuclear power as a 'green' alternative? Wright said that solar and wind power production involve mining of lime and clay for cement, iron ore for steel and sand for glass. None of this mining has the degree of damage to the environment that is currently associated with uranium mining. Secondly there is no direct link between mining these substances and nuclear bombs. He also claimed that very few insurance companies will underwrite nuclear power plants and that nuclear power plants are high maintenance and high cost.

## POLITICAL WILL

Australia has the opportunity to develop either nuclear power or the solar/wind option or both. There are other options to throw in the mix such as 'hot rocks' thermal energy and power generated by wave energy from the sea. Wright from Beyond Zero Emissions claimed that it is possible for Australia to achieve 100% renewable (excludes the nuclear option) by 2020. He is certain it is scientifically possible. He said that the mass movement rapidly developing in Australia regarding climate change needs to push governments to make it happen. He was also asked if he thought the 2020 goal was possible if left to 'market forces'. He replied that central

planning by a federal government is essential.

Given that Australia's impact on the global scale is small from a population perspective, there will be many other issues arising from a warming planet and predicted rising oil prices in the near future. Who will pay for the increased cost of living that will occur? The Brotherhood of St Laurence reports that low income families typically produce 22 tons of carbon annually, less than half of the 57 tons produced by high income families. Who is more vulnerable to heatwaves, floods, bush fires and extreme weather? Who can afford increased transport and energy costs? The federal government has a \$2.15 billion Climate Change Action Fund over 5 years to provide assistance to business, community and workers in the transition to a less polluting economy. Is this enough when the government's lapsed CPRS scheme would give the big polluters \$16.4 billion according to the Australian Conservation Foundation?

What therefore are the demands of the people in relation to who pays for the transition to a sustainable economy? What will the people's response be to the predictable racism that will be promoted by sections of the corporate sector in relation to the growing phenomena of "climate refugees"?

There are interesting times ahead. People will be coming up with answers and looking for leadership which protects their living standards but which also nurtures the planet and its thin atmosphere.



# The Role Of Class Analysis In Australia's Revolution

The following is a brief Marxist examination of classes and class relations in today's Australia. Scientific investigation of different classes and class relations in Australia is essential in the charting of struggle for socialism. This sketch is only a first step in what we hope will become an ongoing and a deeper social investigation of classes and the dialectics of class relations in Australia.

Key questions to be considered are:

Which class dominates?

Which class is the main force of political struggle?

Which class can lead the struggle for revolutionary change?

Which classes can be won over or neutralised in the course of struggle?

Regardless of income, upbringing or a person's subjective opinion of their class position, Marxism defines classes in terms of their relationship to production. Generally, people's thinking and view of the world is shaped by their class position in the social relations of production. That means their relations

in the ownership of production, and in the production processes of the economy. From a rudimentary analysis so far, we can categorise several main classes in Australian society according to their relationship to the production process.

## 1. The Ruling Class

The ruling class in Australia is the class that owns and controls the main and most decisive means of production (mines, factories, large agribusinesses, large building and construction works, etc), and by extension, the means of circulation (banks and financial institutions) and most of the wealth of the country. This class is a tiny handful of the biggest corporations and individuals but who control the life lines of the country's economy, the political institutions and instruments of the state (public service, army, police, legal institutions, including the courts, etc.), and imposes the dominant class ideology.

This ruling class is not a homogenous monolith. It is fractured with competing interests and rivalries between the different sections of monopoly capital, including finance and industrial capital. The current global economic crisis has intensified the competition between different sections of the ruling class for depleted state funds, resources and markets. Presently, the mining, natural resources and finance sectors of the ruling class exercise immense power and influence over the country's economic policies that favour its interests.

In Australia, the ruling class comprises the imperialist bourgeoisie and local monopoly capitalists.

### **Imperialist bourgeoisie**

This is a tiny minority and the most powerful and decisive sector of the ruling class. It consists of foreign corporate monopolies with direct investment or ownership in key industries and resources (including corporate agribusiness), or with majority shareholdings or controlling interests (eg BHP/Billiton, Rio Tinto, Exxon/Mobil, GMH, Chevron, Shell, Bank of America, Deutsche Bank, Citibank, etc.). It includes the dominant finance capitalists and bankers who lend the investment capital to support industrial and commercial ventures and who, by virtue of their speculative and parasitic pursuit of capital accumulation, contribute to the periodic economic crises of capitalism. Media monopolies are also part of the ruling class. Murdoch's News Ltd holds an important position in the imperialist bourgeoisie as its main mouthpiece, protecting and promoting US imperialist interests and capitalist ideology.

### **Local monopoly capitalists**

Allied to the imperialist bourgeoisie is a section of the local corporate monopolies and larger capitalists and land-owners enmeshed and integrated into foreign finance capital and monopoly corporations, including trading and/or financial arrangements, and are, to varying degrees, dependent on them or dependent on the global economy of western imperialism. A small number

of these local monopoly capitalists also act as proxies and agents of imperialism in the exploitation of the people and resources of underdeveloped countries in South East Asia, the Pacific region, East Timor, New Guinea, Philippines, Africa and South America. Some even take on features of imperialists within the advanced capitalist economies (eg. New Zealand). However, both types of imperialist behaviour by local Australian monopoly capitalists are subject to the limitations set by the bigger imperialist powers.

### **Agents of imperialism and the State apparatus**

Serving these corporate interests are various parliamentary politicians, senior public servants and bureaucrats, some in the hierarchy of the armed forces and police agencies of the state, assorted lobbyists, a small corps of academics, a few top trade union leaders and the major media interests. Their function is to defend, facilitate and promote the economic activities of the foreign and local monopolies and particularly the interests of US, European and Japanese imperialism in Australia.

The Business Council of Australia is a powerful peak body comprising mainly the imperialist bourgeoisie and Australian monopoly capitalists. It exercises a great deal of influence and power over Australia's political and economic institutions, ensuring the interests and power of foreign and local monopoly capital are protected and advanced above all else, by whichever parliamentary political party is in office. For the past 15 years, the Minerals

Council of Australia (a key member of the BCA) has been one of the main driving forces behind the attacks on unions, workers' rights and conditions and intensified exploitation of the working class. The BCA is relentlessly demanding cuts in company taxes and heavier taxes on ordinary people to pay for the economic crisis of capitalism.

This imperialist bourgeoisie and local monopoly capitalist ruling class is spearheading the restructuring of Australia's economy from an industrial manufacturing base into a quarry and the neo-liberal policies of making the people pay for the economic crisis. It is the main class aggressively resisting paying for the development of renewable energy processes and technology that can reverse climate warming.

## 2. National Bourgeoisie

On the fringes of the ruling monopoly class are the shrinking number of local capitalists who possess neither the monopoly characteristics of the big Australian bourgeoisie nor the latter's ability to penetrate overseas markets. Owing to increased penetration of the Australian economy mainly by US imperialism in the past 30 years, their size and position in the economy is much weaker than in earlier times and their political influence substantially diminishing. The most numerous are the medium to large local capitalists. Their survival is under constant threat from imperialist globalisation. Imperialist free-trade agreements and restructure of the Australian economy and industries has substantially weakened the more independent position of the

national bourgeoisie, particularly in local manufacturing, food production and agriculture. They seek economic independence from foreign and local monopoly capitalist interests and the financial power of the banks. The national bourgeoisie's conflict with imperialism and local monopoly capital objectively gives them a patriotic and progressive character that often compels them to side with the people against imperialism. The imperative to survive forces them to align with the people and the working class, for example, supporting the resources super profits tax against imperialist interests. The most significant aspect in the national bourgeoisie's position in relation to imperialism is that it enables the working class to form wider alliances of the people, and with other smaller classes. This isolates the imperialist bourgeoisie and the local monopoly capitalist class, the principal class enemies of the working class and people in the struggle for anti-imperialist independence and socialism. These alliances are nothing new. In the day to day economic battles the working class regularly forms temporary, tactical alliances against the main boss, (this includes with competing capitalist/boss) – to advance the interests of workers.

## 3. The Working Class

The working class is by far the largest single class in Australia's capitalist economy. It is made up of workers in many different sectors of the economy and defined by their position in the production of surplus value (profit). It is the most disciplined and cohesive class

and the only class that has the capacity to unite and lead the people and bring about far sighted change in society. The broad definition of working class is those in a capitalist society who sell their labour power (physical or mental) for a living, to the owners of capital (individual employers or to the capitalist class as a whole). They are mainly wage and salary earners. The working class in capitalist society does not own the means of production but creates all the wealth.

### Proletariat and other sections of the working class



The proletariat is the core of Australia's working class, directly creating surplus value.

The Australian proletariat consists of industrial workers and rural workers who have "nothing to sell but their labour power". In the factories, workshops, mines, construction sites, transport systems and farms, their labour creates "surplus value" that is expropriated by the owner(s) of each productive enterprise and the capitalist class as a whole. Profit is realised when the value-added products are sold, and

is pocketed by the capitalist/imperialist owner(s) individually and as a class.

The proletariat is quite varied, consisting of a mix of highly skilled and relatively well-paid workers, semi-skilled workers and unskilled, poorly paid workers. Although there are low rates of unemployment measured according to Australian Bureau of Statistics criterion of employment as "paid work for at least one hour...in a week" there are very high levels of precarious employment, with a growing number of workers locked into part-time, casual, and sub-contracting work with low levels of job security, no holiday and sick leave provisions and few opportunities for retraining and skills development.

Although workers organised in trade unions are only 20% of the workforce, ABS data shows that they tend to have better wages and conditions.

Generally, women workers have lower wages and even less job security, particularly in industries where the majority of workers are female, such as certain assembly and process work, textile and clothing and office work.

Immigrant workers predominate in the unskilled, low-paid jobs, such as cleaning.

Using the broad Marxist definition of "those with nothing to sell but their labour power", are also included those sections of workers whose labour power does not directly create 'surplus value', but contributes indirectly to its creation overall and are essential to capitalist economic production. This includes

workers engaged in such activities as organising the supply of labour power and materials, designing computer software, marketing the finished products, accounting for the distribution of income, and the retail workers who sell the products.

Sub-contractors are spread amongst the working class, with many on the periphery of that class.

Further removed from the direct production process is yet another category of workers engaged in the production and maintenance of the working class as an army of labour for capital to exploit. Although they do not directly create surplus value, their labour indirectly contributes towards the overall creation of surplus value for the capitalist class, and the capitalist state, as a whole. Included here are the teachers who prepare both the working class and also the bourgeoisie, for their future roles in society. Doctors, nurses and other health and community workers who sell their labour power are also a part of this group of workers whose role is the maintenance of the whole of the working class for the capitalist exploitation.

However, there is an inherent contradiction in the role of these workers between the imperatives of capitalism to exploit the working class on the one hand, and the nature of these industries for improvements in the conditions of people's lives, on the other. This contradiction underlines the many struggles of workers in the education, health, community and services industries.

There are also many other workers who sell their labour power but do not directly produce surplus value and are a part of the working class. They include cleaners, workers in the services industry, academics, administrative workers, and so on.

Finally, there are unemployed workers in all categories, who nevertheless, do not cease to be working class just by virtue of losing their jobs, and are ready to return to further exploitation when capitalism requires them. Many indigenous workers, older workers and disabled workers are also in this situation for long periods, if not permanently. There are also individuals from other classes in society who have been thrown into the unemployed working class as a result of business failure, investment losses or retrenchment due to mergers, restructuring etc.

## Indigenous Australians

British colonisation of Australia imposed a capitalist economy on indigenous Australians, destroying their economy and society. They continue to suffer dispossession, genocide and poverty and are pushed out to the margins of society. In their traditional lands in rural Australia they are mostly unemployed and in conflict with large landowners, agribusiness and mining monopolies. In the urban centres many are in the ranks of the unemployed. They have a shared interest with most Australian people in achieving self-determination, sovereignty and independence from imperialism as the first stage towards the full transformation of society. The vast majority of indigenous Australians

have nothing to sell but their labour power and are an important part of the working class.

### **Lumpen Proletariat**

This section, derived from the working class, has no links to the productive process. It consists mainly of more or less permanently unemployed working class people who exist on the fringes of capitalist society. Some are broken in spirit by poverty, lack of education and opportunity, health failure, drugs, alcohol, etc. Some engage in petty crime to survive and a handful try to assert some power by criminal activity and gang violence and do not identify with the working class. In some cases, they are a sub-group which the ruling class can deceive, bribe or intimidate to undermine and attack the organised working class. The capitalist state actually needs their criminal activities (often linked to “respectable” business connections within the bourgeoisie) as an excuse for attacks on the rights and liberties of the working class and allied classes. They are miniscule in size.

## **4. Petty-bourgeoisie Class**

### **Small business and contractors**

Prominent in this class are the small business owners, shop-keepers, small farmers and contractors of various types who carry out specific services and trades, sometimes on their own and sometimes sub-contracting others to assist. As a class the petty bourgeoisie do not sell their labour power to another capitalist for the creation of surplus value. They are usually self-employed

or family businesses and often employ a small number of workers. They are mostly at the mercy of the banks and financial institutions, heavily in debt and lead a precarious existence. They live in constant fear of extinction by local and foreign monopolies and the banks. Objectively, their position in relation to imperialist domination and monopoly capital makes them natural allies of the working class. There are many, many progressive individuals amongst this section who sympathise with the working class and identify themselves as allies of the working class. However, left to the influence of the monopoly bourgeoisie ruling class some sections of the petty bourgeoisie at times direct the blame for their difficulties and struggle to survive at workers and unions. In reality the main threat to their survival comes from being squeezed out by the big monopolies and larger capitalists. The petty bourgeois class is an important ally of the working class in the anti-imperialist struggles of the people.

### **Professional workers**

An important section of the petty-bourgeoisie are the professional workers who have technical, legal, medical, military or educational expertise, and who work as doctors, lawyers, psychologists, academics, senior managers and administrators, senior police and military officers, government bureaucrats and functionaries. Often they are self-employed or have their own businesses employing a small number of people. They are among the better paid sections of the people. They should be distinguished from

doctors, lawyers, technical experts, academics and others who sell their mental labour power to employers of private or public institutions (eg. universities, hospitals, law firms, research centres, pharmaceutical and medical corporations).

### **Intellectuals, creative and cultural workers**

The position of university academics, mass media journalists, artists and performers of various kinds objectively aligns them with the interests of the working class and the broader sections of the people. Most only have their mental labour power to sell to an employer for a living. More recently the increased monopolisation of media, privatisation and corporatisation of universities and the previously publicly funded cultural sector has brought the intellectual and creative workers closer to the working class, objectively and subjectively. Many cultural workers advocate protection and development of local artists and the Australian people's culture, and fight for their working conditions. Increasingly, more cultural workers, academics, artists and journalists consciously identify their interests with the struggles of working people generally and are less hesitant to take industrial action to advance their conditions.

### **Development of revolutionary strategy**

From this brief class analysis of Australian society, we conclude that the dominant class that holds state power in Australia is the imperialist bourgeoisie

in alliance with the local monopoly bourgeoisie, together with a supporting chorus in influential political, social and media circles, but especially within the state apparatus.

Their economic domination ensures that government policies and the wealth and resources of Australia serve imperialism, mainly the US, now established as the most powerful of the competing imperialisms currently active in the economy. In political terms, this domination has stolen the right to independence and sovereignty of the Australian people and their right to own and manage Australia's wealth and resources in their own interests.

The economic class struggle between bosses and workers never ceases. It is in the very nature of capital to relentlessly drive down labour costs (wages, conditions, etc) and intensify the exploitation of workers (increase productivity), to extract greater surplus value for itself. Equally, workers are compelled to struggle to resist attacks by capital and for improvements in wages and conditions. The struggle ebbs and flows with the economic cycles of capitalism. In the course of struggle, workers can learn something of the power of collective action and unity of their class, the nature of the state and the main class forces aligned against them. Lessons can be learned in struggle about allies from other classes. But, no matter how militant or well organised, such economic struggle does not, of itself, lead the working class to a realisation of the necessity for socialism to end class exploitation.

This only comes from political class consciousness that contradicts the ordering of society in the interests of a parasitic minority. Therefore, while revolutionary activists are always involved and engaged in the economic struggles of the working class and the people, these must be linked to the main target of political struggle, the dominant exploiter and oppressor of the Australian working class and the people, US imperialism, the heart and soul of the imperialist bourgeoisie. Imperialist domination is the biggest obstacle to the eventual winning of socialism, and the political struggle is a revolutionary struggle to overthrow this dominant class.

The leading class in the revolutionary struggle for Australian independence and socialism is the working class, the class most exploited by the imperialist bourgeoisie, but also the most numerous class, the most cohesive, disciplined and most capable of powerful collective action. It is the only class with the capacity to lead, organise and mobilise the whole of the people, including other smaller classes.

Other classes and sectors will also participate in this struggle, to the extent that imperialism exploits and confines them. Unlike other classes and sectors, the working class has a fundamental interest in continuing revolution beyond the stage of anti-imperialist independence, continuing onto the stage of socialism and the eventual elimination of all classes, communism.

The imperialist bourgeoisie not only exploits and suppresses the working class, but also directly threatens the livelihood and interests of many small to medium local capitalists and farmers, as well as many sections of the petty-bourgeoisie. Whilst the working class does not give up struggles on the economic level, it should also take opportunities to forge temporary unity on the political issue of imperialist domination of Australia, without abandoning its own struggle. Patriotic individuals and sections can be won to the cause of anti-imperialist revolution, while the more vacillating elements can be neutralised. This is what Mao Zedong called, "narrow the target and broaden the base" and is the method of identifying the main contradiction. Imperialist domination (foreign finance and industrial capital) is monopoly capitalist rule in Australia and is the main exploiter of the working class.

In summary, this means, in relation to small to medium capitalists and farmers, and the petty-bourgeoisie, there can be both struggle and unity. In relation to the imperialist bourgeoisie, there can only be struggle.

The most recent example of this objective unity is the battle over the resources super profits tax, where some sections of the local capitalist class aligned with the working class and the people in common interest. Another united struggle was the broad and spontaneous coalition of printing workers, Australian authors, and book publishers and local printing companies that fought to save the Australian book and publishing industry. Printing workers and their



union, Australian writers, local book publishers and the few remaining national bourgeoisie in the printing industry were compelled to unite against a common threat to their livelihoods from the global book publishing and retail monopolies. They built a broad alliance, mobilised the public around the protection of Australia's cultural and manufacturing industries and jobs and isolated their common enemy. They won the fight, even if temporarily.

This examination of Australia's classes and class relations reveals that the main and most important class contradiction in Australia is between the ruling class of imperialist and local monopoly bourgeoisie and the vast majority of the people, with the working class as the most powerful and far-sighted class leading the anti-imperialist movement.

Based on our assessment of Australia as a dependency in the grip of global monopoly capital, the Communist Party of Australia (Marxist-Leninist) has identified the anti-imperialist, democratic struggle of the people as integral to the socialist revolution in Australia. The anti-imperialist, democratic national independence struggle will unite and mobilise the overwhelming majority of Australia's people. It will isolate the ruling class of foreign and local monopoly capitalists and lead the way to the next stage of the revolution for socialism.

Australian communists will use infinite flexibility, investigate and take account of constantly changing local and global conditions, continuously re-assess class forces and constantly work to raise and deepen the political consciousness and struggle of the working class and the people.



# The State Of Small Business In 2009

It's very difficult to get a clear picture, from government or private financial/economics gurus, of how small business in general is travelling.

The government seems intent on talking up the supposed re-emergence of consumer confidence, that the economy has bottomed out and that recovery is under way, even going so far as to declare that Australia won't actually experience a 'technical' recession.

I prefer to gauge the situation from ground level, based on what I see and hear from other small to medium businesses. It's acknowledged that the Australian economy is 65-70% driven by consumerism, so any sharp decline in consumer spending has a very significant impact on small to medium businesses.

Some small business operators don't realize how closely they are linked to consumer spending because they don't operate in the retail world directly, they may operate in a service industry capacity, or as a supplier to the larger

building industry. There are literally thousands of small businesses carrying out niche activities. Most small business people I talk to will readily admit that times are very tough but they also see the present situation as a 'glitch' in the system and have absolute faith (for the time being) that things will return to 'normal' before too long. Any other alternative is totally unthinkable. Some are also faced with crucial decisions about keeping staff on during the down turn. It is not unusual for a small operator to have 2, 3, or 5 staff who are reasonably highly skilled, experienced and valued. If the operator lets these people go due to lack of work he/she may not get them back again, but the business cash flow could be so perilous that he/she cannot hold them for long, even working reduced hours, without more work coming through the door.

It's no accident that the Administration and Liquidation industry is booming in the current environment. Bankruptcies are at an all time high. In recent months *The Age* newspaper has carried up to 20 Winding Up Notices in the one edition, and they are right across the whole spectrum of small business.

I have heard that quite a number of very small business operators did not receive Rudd's \$900 bonus payment because they operated in the 'red' in the previous financial year and failed to qualify.

Looking at the much more publicly scrutinised antics of the larger business groups shines a fair bit of light on the problems that small business will have to encounter and overcome if they are to survive.

Despite the talk of big-ticket government-backed priority projects, the construction industry is languishing and in deepening crisis. In 2009 Monash University pulled the plug on what was to be the largest university expansion programme ever under taken in this country, due to the fact that the chosen developer GroCon (one of Australia's biggest) could not raise the capital to finance the project.

Huge retailers are in strife; Clive Peters have nose diving sales turn over, Harvey Norman have put a hold on recruitment, cancelled the construction of 15 new stores and terminated their long term interest free payment schemes as the lines of credit from GE Finance and HSBC Bank have ceased or been seriously curtailed. At the most recently opened Bunnings (Wesfarmers) shopping complex in North Coburg, Melbourne, which opened in February 2009, 4 out of the total 10 showrooms/warehouses were still unlet! This would have been unthinkable 5 years ago.

Recent years have seen the arrival of the German Aldi Chain Store Corporation, and the opening of the US giant Costco in Melbourne. Woolworths has announced a new partnership with the giant US hardware chain Lowes in a bid to grab a slice of the huge hardware market that Bunnings is monopolising. The Bunnings performance is actually very revealing. Of all the businesses that make up Wesfarmers portfolio, Bunnings is the only one performing well, which reflects the situation on the ground. People are keen to maintain and even extend their houses (even in a small way) with many families having

adult children who can neither find nor afford to rent a house. So, small budget alterations, rearrangements or extensions are popular and people are doing a good deal of the work themselves and sometimes all of it. Bunnings highlight this theme in their advertisements and actively promote DIY as a great cost saver to bolster sales.

The writing is well and truly on the wall for the independent supermarkets, smaller hardware chains and smaller retail goods merchants, etc.

The Federal Government's much vaunted Business Tax Incentive is a very attractive scheme on paper and has appealed strongly to big business. It is certainly one of the Federal Government's incentives that have helped to distort the real business investment statistics, which in turn have led to ridiculous announcements that the financial crisis is over (even as another large car components supplier goes into administration). The tax incentive certainly bolstered new car sales figures for a time and no doubt a number of smaller businesses and tradees have purchased new vehicles under this never to be repeated scheme. The incentive sounds very generous (it genuinely does cost the government revenue), 50% of the purchase price of qualifying equipment can be claimed against your end of year tax assessment.

This is all very well if your business is large and has big equipment/machinery investment requirements, is operating well in the black and accruing taxable income. But for many small businesses that are operating just in the black or in

the red, taxable income won't be a major issue, quite the reverse in fact. And considering that many small businesses would need to take out a loan to finance a large (by their standards) purchase and the loan, if they are able to get one, would need to be serviced from the cash flow of the business. This means a small business operator would need to feel pretty confident that turn over will remain positive over the next 2-3 years. A very big ask in the present climate. The federal government has already extended the deadline for this scheme once; it will be interesting to see if they move it again.

A truer indication of the state of consumer spending can be obtained by looking at the sales figures recently released for motorcycles. ATVs are the only motor cycle category that are maintaining near record sales, and the only category of motor cycle eligible for the Federal Government's tax incentive (as well as primary producer allowances). For the rest of the field, sales figures are heading for disaster land. Honda, the market leader has suffered a 22.7% drop in volume, Yamaha 16.4% and so on. Scooter sales fell a staggering 29.3% in the first half of the year! The recent boom in scooter sales was driven almost exclusively by first time motorcyclists looking for cheap, efficient, fuel miserly commuter transport, which was in turn brought on by rising fuel prices and the inefficiency and over-crowding of public transport. Every motorcycle manufacturer in the world ramped up scooter production and in Australia new sales agencies appeared from nowhere. Now the bubble has burst and many people will get burnt.

Even bicycles sales have slowed, with large discounts available on new bikes and accessories and even the big chain stores are under immense pressure from low overhead internet sellers.

At our own workshop we are experiencing a huge increase in cold calling by sales representatives from all sorts of supply and service industries. We have had trade accounts with some suppliers for more than 10 years and have never seen their representatives before. Now even they are cold calling in the hope of more business, giving out promotional stationary and pens etc.

Anecdotal evidence of the poor state of small to medium business comes our way almost daily. The franchise holder of a Jim's Test and Tag service van tells us that his service calls are well down and he hasn't had a new client for months. We take deliveries from suppliers often between 11.30 & 12.30. Now many times our goods are the last or second last delivery and the drivers tell us "that's all we're getting lately" and they generally head home for the rest of the day.

Thousands of workers have been forced onto reduced working hours or part time employment. Overtime and penalty rates have all but disappeared in some industries. The effect on discretionary income spending is acutely apparent. For the first time in 15 years credit card spending has dropped.

Even before Northern Rock and the GFC, this country was heading for a consumer spending disaster. Real wages were well down, the growth in part

time work was masking the growing unemployment and under employment position; credit card debt spiraling out of control and national savings were virtually nonexistent. Add to that the fact that many middle class people have taken a serious blow to their superannuation entitlements.

There is no guarantee that consumer spending, the life blood of all the myriad small businesses that have flourished in the last 40 years, will recover to anywhere near previous levels.

# The Significance Of Revisionism

Within the Marxist context, revisionism refers to that body of ideas that emasculates Marxism and strips out its revolutionary heart, and does this in the name of Marxism. Consequently, revisionism has profound significance in both the theory and practice of Marxism and a profound impact on the Communist Party, the capacity of the working class to have the clarity of vision, organisation and determination to assert its own class interests.

## The history of revisionism in the socialist movement

Revisionism is not new. The term was coined when Engels took on the ideas of Bernstein in 1898. He had been a disciple of Marx, but in a book published in the same year, titled *Evolutionary Socialism*, he put forward the classical mechanical evolutionism that was in vogue amongst capitalist intellectuals at that time, suggesting that capitalism must eventually transform itself into socialism. Mechanical evolutionism had been taken up by open reactionaries to justify the political doctrine of the survival of the fittest and used it to argue for the superiority of white civilization and to justify colonialism.

While Bernstein may not have shared these particularly reactionary views, he did use mechanical evolutionism to argue that western society had evolved to the point where it no longer required revolutionary change. Social development would be peaceful from now on. Capitalism would evolve into socialism.

Lenin observed in his letter *Marxism and Revisionism* (1908) that Bernstein "... argued that by that time German society had disproved some of Marx's predictions: he asserted that capitalism was not on the verge of collapse, capital was not being amassed by fewer and fewer persons, the middle class was not disappearing, and the working class was not afflicted by 'increasing misery'..."

At the time, capitalism had moved into a boom period. Some concessions had been won by the working class on the basis of their strengthened organization and level of struggle. Along with the gains there was also a fostering of the illusion that the hard face of capitalism had softened.

History proved that this situation was temporary and eventually capitalism progressed in the opposite direction to that prophesised in *Evolutionary Socialism*, leading to more exploitation, oppression and war. It resulted in the increased class polarization and social upheavals that led to the October Revolution in 1917.

In the period just before World War One, revisionism rose once again. This time its theoretical leader was Kautsky. He outlined his position in a pamphlet called

The *Dictatorship of the Proletariat* published in 1918. Note that he had put forward the revisionist position in various other writings since 1913, a year before the outbreak of World War One. Kautsky obviously learned very little from the experience.

Lenin dealt with Kautsky extensively in his book *The Proletarian Revolution and the Renegade Kautsky* and demolished a position that was essentially based on a revival of Bernstein, except that Kautsky argued that in the age of imperialism, this highest stage of capitalism had developed to the point where it was doing away with intra-imperialist competition and imposing the need for cooperation amongst the imperialist powers. Thus imperialism was no longer going to propel the world to war. This and the spread of universal suffrage, which gave the working class a say in the management of the capitalist system, would bring in an era of peaceful development. There is therefore no need for revolutionary change. The working class could win socialism by voting a majority into parliament. Because government now truly represented the will of the people, support for one's national government is support for the people, the majority of which is the working class. This position led Kautsky and those who shared a similar position to openly side with the capitalist state against the working class. When world war broke out, they happily rallied behind their own imperialist class against the workers of other countries.

Capitalist democracy is lauded as true democracy and a socialist society where the organized working class imposes its

leadership over society is branded as totalitarian dictatorship. Thus political power and democracy are stripped of their class content as revisionism eagerly grabs hold of the often repeated false refrain of the capitalist ideologues.

Another characteristic of revisionism has been to pit individualism against the collective. It does so under the spurious slogan of freedom of criticism. What this really means in practice is that there should be no challenge to the imposition of revisionism.

Revisionism undermines the discipline of the individual and the will of the collective, and rejects struggle against opportunism. Ultimately, there should be no ideology within the Party, meaning of course, except revisionist ideology. Revisionist ideology uses a whole arsenal of the capitalist way of thinking and activities, such as intrigue, rumor mongering, fueling suspicion and disunity, destabilising the Party and undermining comrades inside and outside the Communist party. It thrives on petty factionalism.

The Great Depression and World War Two reasserted the practical truths of Marxism regarding capitalist crises and imperialist contention. Faced with such a stark reality, many adherents of revisionism left Marx completely, to become open reformists, embracing capitalism wholeheartedly.

### Modern revisionism in the socialist countries

After World War Two and the death of Stalin, the Soviet leader Khrushchev

followed in the revisionist footsteps. In this case, revisionism emerged in a socialist society. Nevertheless, it borrowed the position espoused by Bernstein, Kautsky and other revisionists, imposing on the global communist movement the theories of peaceful evolution of capitalism into socialism and the development of imperialism in the direction where it no longer led to war. The modern revisionists alleged that imperialism could no longer afford to carry on recklessly. The emergence of nuclear weapons made this even more so. Imperialism now had to compromise with socialism. The idea of maintaining peace at all costs was raised as the ultimate goal of humanity. There was no longer any class content to war. No distinction was made between unjust wars launched by imperialism and just wars fought for liberation. This outlook actually worked to hold back struggle. It assumed equality between capitalists and workers, between exploiter and exploited and took no account of the fact that the ruling class utilised state power to enforce its rule.

The vast majority of humanity is opposed to war and willingly struggles against it. But imperialism and reaction make the prospect of war a reality. Time and again this has been shown by real life.

When it comes to the relationships between countries of different social systems, it was argued that they should proceed on the basis of securing peace at all costs, including accommodation with imperialism. If imperialism is no longer the principle source of exploitation and

war in the world, it stands to reason that there should be much in common and there are solid grounds for cooperation. Differences would no longer be on the basis of opposing ideologies and social systems, but competition for markets and spheres of influence. It was never stated precisely in these terms, but this was what the subsequent practice amounted to.

This same view in relation to war was also applied within the national scale. Revisionism aimed to put a brake on workers' resistance and battles against capitalist exploitation. The intensification of class struggle is to be avoided or muted to avoid the potential for conflict, leading to social and industrial upheavals, political instability and even civil war. Instead of allowing this, the Communist Party must lead the working class as a force for "peace" between classes, above all else. Revisionism promoted ideas of reforming the capitalist system by imposing limits on its "excesses" and giving workers a say in its management, eventually reconciling conflicts between the working class and the capitalist class. The same view applied to the liberation struggles of the time against colonialism.

More to the point, it was said that class conflict between the working class and capitalist class would no longer be as intense as in the past. Revolutionary struggle was no longer necessary. Capitalism would evolve into socialism. All it required was a correct government policy. This requires no more than voting in a majority into parliament. Hence the Bernstein and Kautsky theory

of the peaceful transition to socialism was resurrected once again. The state “of the whole people” was repackaged as being above particular class interests.

The experience of building socialism was undermined through a personal attack on Stalin who stands out as a great defender of socialism and its principles. His was also a time when socialist development in the Soviet Union was at its peak. It was a time of enormous advances in the economic, industrial, educational, scientific and cultural lives of the Soviet people. The immense improvements in the living standards of the Soviet people was in stark contrast to the destitution of millions of people in the capitalist world ravaged by the Depression of the 1930s and during Second World War. The Soviet Union became a beacon for the exploited and oppressed throughout the world. It was imperative for the international capitalist ruling class to demolish the edifice of socialism. Without attacking Stalin, revisionism would have been extremely difficult to impose. Once it was imposed, it set the conditions to turn around the direction of development. Capitalism was eventually restored.

The peaceful transition to socialism, accommodation of capitalism at home and imperialism internationally, were imposed on communist parties in other countries, on the basis of the prestige and authority that the Communist Party of the Soviet Union still enjoyed. Consequently communist parties in all continents were divided, lost their revolutionary soul and in practice pulled back from the struggle to put an end to capitalism.

This new revisionism emanating from the Soviet Union joined forces with the new revisionism that was simultaneously raising its head in the capitalist world once again.

The post World War Two period was also a time for the generation of revisionism in the socialist nations. It did not come about by accident or only because of bad leaders like Khrushchev. Socialism had not yet done away with the remnants and influences of the old society. The roots of socialism were not deep enough yet and the socialist economic and industrial base had not been consolidated. The constant pressure of bourgeois ideology emanating from the local bourgeoisie in concert with the power of the international capital weakened the still young socialist country. The devastation of World War 2 destroyed the powerful productive forces built by the Soviet people in the first 20 years of the Soviet Union. Ultimately, international capital, led mainly by US and European imperialism, achieved its long held dreams of destroying the Soviet Union.

With no previous experience and lessons to learn from, there had also been both “left” and “right” errors that brought about some difficulties. Revisionism could find a base in the force of habit and the spontaneous regeneration of capitalist ideas. The lack of experience in building socialism, the still early development of Marxism-Leninism and the effect of errors, provided fertile soil for revisionism to generate the illusion that it could provide solutions to real problems. But in practice, revisionism began to attack the foundations of

socialism and commenced the process of the restoration of capitalism.

Revisionism can only find purchase because it has a social base. It is a natural part of capitalism that is generated each and every day, emerging from the relationships between class forces. It finds its roots in the capitalist base and capitalist relations of production.

This is what Lenin had to say on the matter in the same letter that was quoted above. *"...The inevitability of revisionism is determined by its class roots in modern society...Because in every capitalist country, side by side with the proletariat, there are always broad strata of the petty bourgeoisie, small proprietors. Capitalism arose and is constantly arising out of small production. A number of new "middle strata" are inevitably brought into existence again and again by capitalism....These new small producers are just as inevitably being cast again into the ranks of the proletariat. It is quite natural that the petty-bourgeois world-outlook should again and again crop up in the ranks of the broad workers' parties..."*

The phenomenon of revisionism arising in socialist countries has the capacity to demoralize working class activists in the capitalist countries. It needs some understanding. On a recent chatline devoted to the legacy of the Soviet Union, one correspondent stated:

*"...surplus value a la Capital was not created in these countries as there was no property running under market conditions with free entry and exit from said market, production being, \*totally\* for human needs and not for profit. Ergo*

*no surplus value was created to begin with let alone extracted. ...surplus value didn't flow from Comecon nations to the Metropolis, USSR, there were other criterias for trade, and making Rubles wasn't one of them."*

The comment is typical of some activists who believe that once a socialist economy is established the appropriation of surplus value from workers and its realisation as profit through the sale of commodities (ie exploitation under capitalist conditions) is ended. To the extent that they understand the law of value, they say that it has been overcome under socialism or deny that it has any role to play under socialism.

When Stalin discussed the first draft of the Soviet text on political economy, he took its principal author, Leontiev, to task for just such a mistake. Stalin said:

*"Here it is written that the law of value has been overcome... As yet the law of value has not been overcome. It is not true that we are in control of prices. We want to be, but we have not yet achieved this. In order to be in control of prices you need tremendous reserves, an abundance of goods, and only then can we dictate our prices...When we shall be able to distribute according to need, it will be a different matter, but as of yet the law of value has not been overcome."*<sup>1</sup>

The significance of the law of value continuing into the socialist era is that surplus value continues to be created by the labour power of the working class. However, it no longer has the character of exploitation because socialism

has eliminated the appropriation of socially produced surplus labour by the handful of private owners of the means of production that occurred under capitalism. The appropriation of surplus labour still occurs, but it is appropriated by its creators through their party and their government and distributed for the benefit of society according to a planning mechanism that cannot exist under capitalism. This means that the profits from the labour power of the proletariat can be turned to socially useful purposes rather than being denied to society as they are under capitalism.

Speaking of planning under socialism, Stalin told Leontiev:

*“It needs to be put simply: under capitalism it is impossible to conduct production according to plan on a societal scale because of competition and there is private property that disconnects things. But in the USSR all enterprises are united by socialist property. Therefore we can and must conduct a planned economy. The planned economy is not our wish; it is unavoidable or else everything will collapse... Capitalist industry, agriculture and transport cannot be run by plan. In capitalism the cities must gobble up the countryside. For them, private property interferes. Say it simply: for us things are unified, for them things are disconnected.”*

The requirement for planning recognizes

the social appropriation of surplus value under socialism and the possibility of its social distribution according to the needs of the working class in its role as the ruling class of socialist society. Socialism allows unprofitable but socially necessary enterprises to be supported through just such a distribution. So long as the proletariat is elevated to the position of ruling class, it can enforce such a socialist alternative. So long as the working class exercises leadership in everything, socialism can be maintained and developed. So long as there is proletarian dictatorship, exploitation in the old-fashioned sense can be eliminated by giving workers control over the rate and intensity of work at the point of production.

However, if persons in power take the capitalist road, then even under state ownership and in the absence of private property relations in the commanding heights of the economy, the social appropriation of surplus value can be tampered with and a new bourgeoisie can be generated within the Communist Party, and even in the Central Committee.

The private appropriation of part or all of the surplus value, realised as enterprise profit through sales, can be channelled to private bank accounts or distributed as state sanctioned bourgeois rights as encapsulated in differential salaries and elite privileges. (“Bourgeois right” to use Marx’s term, will exist

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<sup>1</sup> <http://www.wilsoncenter.org/topics/pubs/ACFB07.pdf> Mao Zedong, in his analysis of Soviet economics under Stalin, acknowledged the continuation of the law of value but argued that it “should not be made the main basis of planning” (Mao Tsetung, *A Critique of Soviet Economics*, Monthly Review Press, 1977, p. 87)

in the socialist transition period when the principle of “from each according to ability, to each according to work” must apply and will take the form of different salary levels and greater and lesser degrees of material comfort. In the later stage of communism, bourgeois right, like classes, will cease to exist and the principle of “from each according to ability, to each according to need” will apply.)

If allowed to continue, a “red” bourgeoisie can grow in power and influence to the point where it condones the emergence of private entrepreneurs and the transfer or sale of state-owned enterprises to its own members. The transformation of the Communist Party into a revisionist party is promoted through rejection of the Marxist-Leninist thesis that the party represents the proletariat in the organs of state power; instead of leading all productive forces, now it represents “all productive forces” in society and membership is offered to entrepreneurs and millionaires.

It seems that surplus value, transferred to the whole of society when the working class is dictating terms, can be transferred to a new bourgeoisie when the working class is disempowered by revisionist policy. And when the surplus value of allied (“socialist camp”) working classes is siphoned off through unequal trade terms by a more powerful nation no longer led by its working class, but used for the further enrichment of the elite of the more powerful nation, would that not be a case of “socialism in words but imperialism in deeds”?

In so far as there have been setbacks

associated with the Communist Parties of some socialist countries succumbing to revisionism and taking the capitalist rather than the socialist road we can only accept that such phenomena are part of the learning process for the proletariat. A learning process can only be positive in the long run, however regrettable the need for its lessons may be at any particular time or place. Thorough-going materialists need not be demoralised by the appearance of revisionism under conditions of socialism, but heartened that the revolutionary movement will be strengthened in its future endeavours through having learned the need for the adoption of ideological, political and organisational measures to ensure that real power, once seized, remains in the hands of the proletarian class.

### Revisionism and trade unions under capitalism

In the capitalist countries, an important aspect of this non-working class outlook within the ranks of the working class is the outlook of a few of the most privileged section of the working class that have taken up the language of Marxism. This is a section of the working class in the capitalist countries who are provided with certain material comforts from the super exploitation of the colonies, and, after colonialism generally ended, of underdeveloped nations in the Third World, and even from the most exploited sections of their own class brothers and sisters in their own country. The conditions of the existence of the better paid and more socially advantaged section of the workers in the advanced nations becomes an argument in their minds for living with capitalism,

of not wanting to push demands on capitalism to an extreme which would see the end of the system that provides them with more than just a survival level of existence. This was the case of old revisionism that turned into openly reformist social democracy and it is true for the new revisionism that emerged in the second half of the twentieth century. This privileged section of the working class seeks to protect its privileges and in doing so, is on the one hand caught in struggle against the most obvious abuses of capitalism, and on the other, has a stake in the continuation of the same order. Because of this, it is not able to remain steadfast and vacillates between the two poles.

Over the years, revisionist influence within the trade union movement strengthened the ideology of social democracy and this legacy continues today in sections of the trade union movement's leadership. They are attracted to accommodation with the employers, the worship of legalism and parliamentary politics. Objectively, they work to protect the capitalist order and system of class exploitation. Based on their sectional class interests and a life of relative comfort they find it hard to identify with the working class as a whole and are imbued with the factionalism of the ALP and competing craft rivalries. Their work is not guided from a whole working class outlook.

Another specific source of revisionism is in the higher learning factories of capitalist ideology – the universities. The main elite universities of the capitalist ruling class comprise a relatively privileged section of society,

removed from the struggles and realities of working class life. They have book learning knowledge but relatively little practical experience of complexities and the zigs and zags of class struggle. Elite universities are the main centres for the manufacture of bourgeois ideology, in particular bourgeois economic ideas that either ridicule or dismiss Marxism as irrelevant, or take the essence out of Marxism by presenting it in a sanitised abstract form detached from struggle. This in turn adds some intellectual credibility to revisionism.

That the main periods for the emergence of revisionism were in the aftermath of the Paris Commune in 1871, the time that culminated in World War One, as well as the time of the Great Depression that led to World War Two is no accident. These were periods of an immense lifting of working class and revolutionary struggle. Each of them was also a testing time, imposing great difficulties and sacrifices. Lessons were being learned by the working class and the popularity of Marxism rose. Class consciousness and willingness to act surged.

The capitalist class feared for its future and took the course of suppressing revolutionary Marxism and promoting safe revisionism as a counter. Utilising the armoury of deception, concessions were offered to that portion of the privileged section of the working class attracted to revisionism. For these concessions, revisionist ideology objectively worked to disorganise, demoralise and tie the working class to the coattails of the capitalists.

Periods of advance of revolutionary conditions tend to coincide with the bust phase of the economic cycle. The bust is followed by a period of expansion, where the revisionist base that had germinated in the previous period is fortified and expanded. During a period of boom a larger section of the social surplus value can be turned towards providing more concessions and creating the illusion of ever lasting progress and prosperity. This too, has fed the growth of revisionism.

Closely associated with revisionism is the influence of capitalist trade union ideology. Trade unions by their nature are organisations to defend the interests of the working class against the employer. They are not organisations aiming to put an end to exploitation of workers and capitalism. Wages and conditions are improved on the basis of recognition of the capitalist's right to be a capitalist. Otherwise there would be no negotiation and no agreement. The problem is that trade unionism on its own, isolated from Marxism, confines workers to the acceptance of the permanency of capitalism and the substitution of trade union struggle for revolutionary struggle. Communists immersed in the essential day to day struggles of the working class are more vulnerable to the influence of bourgeois economism and, in the absence of Marxist political study, criticism and self-criticism, can be easily overwhelmed by the all surrounding force of bourgeois ideas and succumb to revisionism.

## Revisionism in Australia

For Australia there were two important factors that need further attention. One was that US imperialism paid attention to and economically and politically and culturally invaded Australia in a big way during the post World War Two period. This was the country's greatest period of industrialisation and it occurred largely on the basis of American capital. US imperialist influences extended in all spheres and even affected the Communist Party of Australia. This was natural. The problem was that there was not sufficient understanding of this influence and therefore effective counter measures were not taken against it.

For a long time, the focus had been on breaking away from Britain. During the war against Japanese imperialism there had been a measure of unity with US imperialism against the common enemy. Britain proved to not be particularly interested in the defence of Australia. The standing of the US rose. The historical dependency of the Australian ruling class on the superiority of colonial and imperialist powers, culture, etc. also influenced the Communist Party. These conditions provided a conduit for revisionism from the US in the form of the ideas of Earl Browder in the 1950's. Leader of the Communist Party of the United States of America, Browder preached the classical positions of revisionism, adding that there should be no Communist Party. A substantial number of communists were influenced to turn away from the Communist Party and to seek the answer in the reformist Labor Party. Many of those who remained in the Communist Party

were also influenced in some ways. The Communist Party officially accepted what Browder was putting forward for a period of time. Only when Browder was refuted by the international communist movement did the Party in Australia officially turn away from his ideas. Even so, the turning away was to a significant extent more in words than deed. Even this would not have occurred in the absence of the fierce struggle waged by those who did take a stand against revisionism.

The kernel of Browder's ideas continued to have an influence, largely helped by the great strength of the trade union movement in Australia and the strong position of the Communist Party within this, and the significant hold of trade union ideology on the Communist Party.

### **The Communist Party was already vulnerable to revisionism**

The post World War 2 period in the late 1940s, throughout the 1950s and early 1960s was also a time of intense international capitalist anti-communist propaganda and stepped up suppression of communists and communist organisation. For a short time, the Communist Party of Australia was declared illegal. This and the fascist-like anti-communism over ten years wore-down and demoralised some who found the relentless witch-hunts and sacrifices difficult. Some abandoned ship and instead chose respectability in the world of reformism. Many of these people were drawn to the Communist Party on the basis of an inspiring and strong leadership that had led the anti-fascist struggles. The possibility of a

better world for the working class and people exemplified by the socialist Soviet Union also attracted many to the Communist Party of Australia. The practice of Marxism-Leninism was still in its infancy. Lacking in political experience and the development and study of Marxism-Leninism, it was inevitable that some would succumb to bourgeois and revisionist ideas in new, difficult and changing circumstances.

Revisionism reached its highest point in Australia and other countries during the 1960's. Its effect was to contribute largely to the separation of communists from the working class. Communist leadership of the trade union movement and the political struggle in general was weakened. This resulted in sections of the working class left without leadership, lacking in direction and exposed to all sorts of alien ideas that further weakened its position. It was only because of the ongoing effort of those who fought against revisionism that the essence of Marxism-Leninism was salvaged and the core of the revolutionary movement in Australia was retained. The core of this revolutionary movement was evident in the most advanced and leading sections of the union movement and working class that were led by the CPA (M-L) at the time.

A struggle for the reconstitution of the Communist Party as a Marxist-Leninist organisation led to the formation of the CPA (M-L) in 1964. Over a period of time after the early 60s, the residual revisionist Communist Party split into a camp embracing "Eurocommunism" and a group who retained an overriding loyalty to their vision of the Soviet

Union as the birthplace of socialism and victor in the war against fascism. The former group did what Menzies had been incapable of, leading the Communist Party into voluntary dissolution. Of this it can be said that there is no better proof of the service of revisionism to capitalism.

The latter group went through various metamorphoses before eventually taking back for themselves the name of the Communist Party of Australia. They include that older generation of Soviet loyalists and a newer generation recruited after the formal collapse of the Soviet Union and its Eastern European satellites around 1990. Most within these two categories of membership concede that Khrushchev was a revisionist, but the influence of the older group ensured that this does not extend to the recognition of the emergence of Soviet social-imperialism which occurred following the Khrushchev revisionist group's coup in 1956.

After the death of Stalin and the revisionist coup led by Khrushchev, the Soviet Union changed its colour and cooperated with US imperialism to suppress national liberation movements that threatened to draw the Soviet Union into war with the US, whilst at the same time, competing with US imperialism for the control of spheres of influence, sources of raw materials and markets. It abandoned proletarian internationalism and began to act like an imperialist superpower, subjecting other countries to bullying, interference, control and invasion, as in the invasion of Afghanistan in the late 1970s.

However, the Soviet people cherished the collective spirit of socialism and remained supportive of Stalin and their country's immense achievements under his leadership, making it impossible for the Khrushchevite or subsequent regimes to officially renounce adherence to Marxism. This remained the situation until the advent of Gorbachev and his clique, who completed the restoration of capitalism, including dismantling what had been left of sections of the economy owned by the State.

During the entire period from Khrushchev's coup through to the formal destruction of the Soviet Union by Gorbachev and Co, it was absolutely appropriate to refer to the Soviet Union as a "social-imperialist" nation, a nation still proclaiming itself socialist in words, but being imperialist in its behaviour.

### Combating revisionism

Revisionism is a scourge that can be successfully held at bay. Real life tends to expose it over time. However, because it is a natural product of capitalism, it keeps on raising its head. Struggle against it must therefore be relentless. Revisionism as a system of ideology, politics and organisation must be fought. Revolutionary Marxist ideology, politics and organisation must be won.

But this is not all. Revisionism also affects individuals. Each communist has to exist in a sea of capitalism that pulls towards the revisionist way of looking at things. The only way to counter this is through engagement in the struggles of the people and a continuous effort to study Marxism, constant review

of practice, honest criticism and self-criticism and a spirit of learning from the people.

It also means accepting the existence of organisational structures within the Party that make constructive criticism an essential part of the relationship between comrades, and in particular, that allows scrutiny and criticism of higher levels of the Party by lower levels. There is no room for commandism and arrogance in our Party organisation that strives to serve the working class and people. It requires lifelong investigation of objective reality, improving the grasp of theory and constant immersion in struggle, where the knowledge of contemporary reality and theory are applied, developed and reviewed in the light of experience.

It also means consciously striving to overcome tendencies within oneself for the cravings of seeking limelight, self-importance, seeking the easy life and over emphasis on advancement in one's career and the practice of arrogance towards other people. If manifestations of negative qualities are seen in one's comrades or party, then there needs to be an ease of mind in making constructive criticism. To do otherwise is to commit the error of liberalism as described by Mao Zedong in his *Combat Liberalism*. An environment of bourgeois liberalism corrodes the revolutionary soul of the Party and disarms Party members ideologically in the face of emerging revisionist trends. These are the tendencies that land one on a slippery slope. Only through a lifelong commitment to the working class and revolutionary struggle, and

criticism and self-criticism aimed at ideological and political improvement, can these tendencies be countered.

In Australia it is appropriate that at the present time we should seek to unite around practical tasks that we share with other Communist parties, whilst acknowledging our differences on certain questions of ideology, politics and organisation.







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