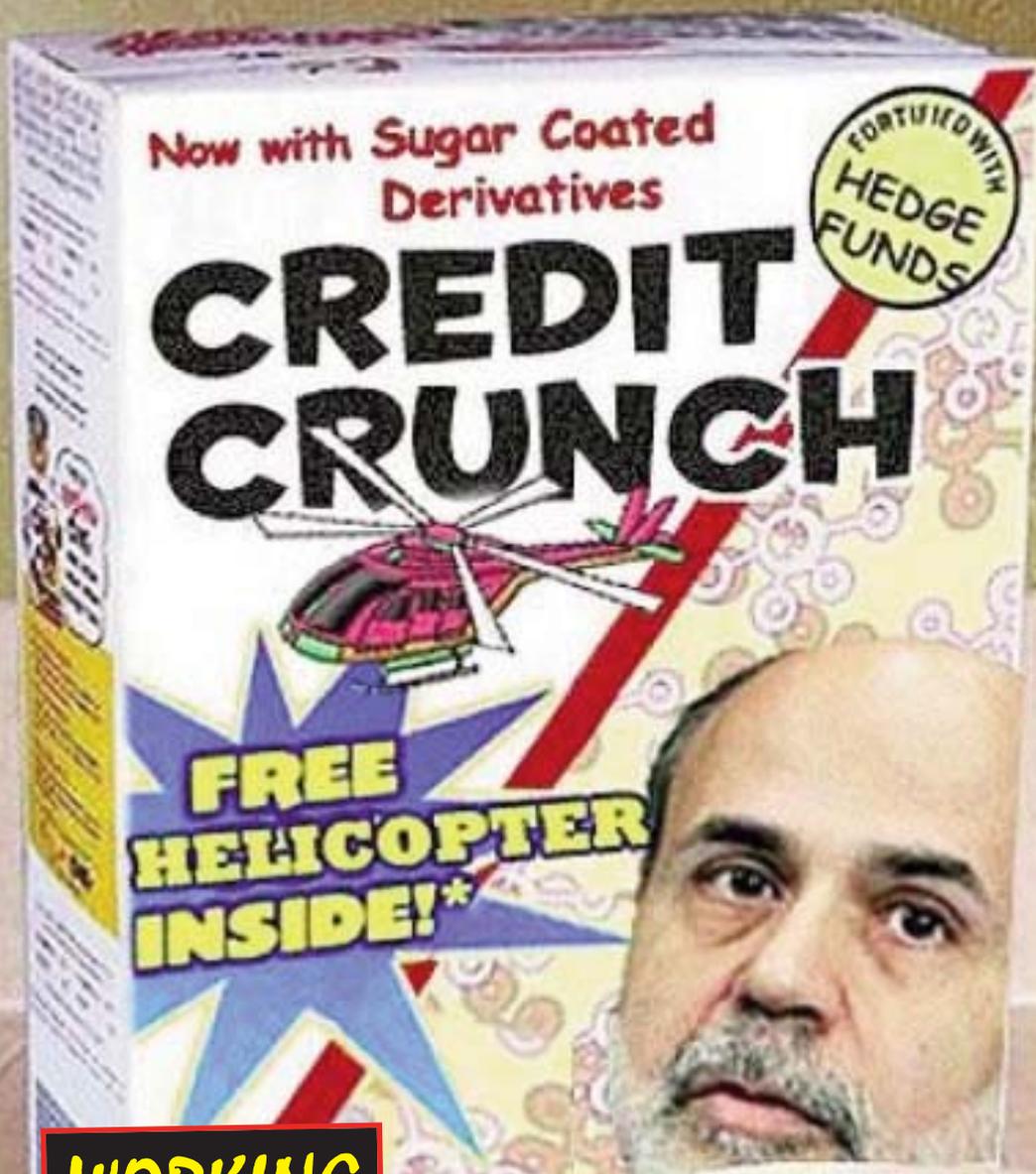


The Socialist Correspondent

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Discussion, debate and authors' opinions

To encourage the broadest possible discussion and debate around the aims of exposing capitalism and promoting socialism, we hope our readers appreciate that not all the opinions expressed by individual authors are necessarily those of The Socialist Correspondent.

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Current financial crisis

The financial crisis we are witnessing reflects the cyclical nature of capitalist crisis and the unravelling of thirty years of neo-liberal economic policies.

Two tendencies of the “free market” are speculation and monopoly.

There has been a huge concentration of wealth since the 1970s. The richest 10% of the UK population increased their share of the nation’s marketable wealth (excluding housing) from 57% in 1976 to 71% in 2003. The wealthiest 1% of the population, on current government figures, now control more than 1/3 of all the marketable wealth—and this ignores the vast sums held in offshore tax havens.

There has been an incalculable level of speculation during this period. We are seeing glimpses of its level when some banks (eg Northern Rock in the UK and Bear Stearns in the USA) have effectively gone bankrupt. Private equity firms have been the biggest speculators. One of them, the Carlyle Group, defaulted on £8.4bn of debt in March. This firm had been speculating assiduously on its AAA-rated mortgage base. At the end of its life, Carlyle’s loan – value ratio was at 36:1. That is just one example. There are many other private equity firms in a similar position.

The value of all traded paper instruments exceeds the underlying value of the assets on which they are written by 3:1. This is a consequence of over-speculation and fictitious credit. This is not new. We are re-printing Karl Marx’s article, “British Commerce and Finance” from the New York Tribune of 150 years ago to show this.

Instability of capitalism

The article on the current financial crisis by Dr Paul Sutton looks at the causes of the problems and explains clearly that the problems are endemic to the capitalist system.

As the banks demand and get more ‘good money’ (£50bn in April) from the Bank of England (i.e. the taxpayer) to replace their ‘bad money’ debts, Gordon Brown assures us that all will be well with the UK economy. Committed to neo-liberal economic policies and the funding of unsustainable debt he has no answers to the problem and it shows.

Commentary

His constant repetition that Britain’s economy is the strongest in the G8 is more hope than reality. And, it should be added, it is not the rich who will pay the price for the over-speculation and abuse of credit.

The end of New Labour?

“Are we seeing the end of New Labour?” asks Alex Davidson in his article which traces the growing unpopularity of Prime Minister Brown and the New Labour government.

Amidst the debacle of ‘New Labour’ it is worth reminding ourselves what the current alternative is: the return of a Tory government.

And, in that context, it may be useful to remind readers what a Tory government is like. Of course there is an attempt to suggest that a Tory government would be different from its predecessor as it had become extremely unpopular at the end of its life.

William Hague, Ian Duncan Smith and Michael Howard all tried that without too much success. David Cameron, assisted by the media and New Labour’s disastrous pro-capitalist policies, has had more success in distancing himself from the past and, anyway, memories fade.

However, leopards do not change their spots. Conservative Party leader, David Cameron, in presenting the Morgan Stanley Great Britons award to Margaret Thatcher on 31 March 2008, said:

“Those who say that the modern Conservative Party is breaking with the legacy of Margaret Thatcher are wrong. Lady Thatcher was a moderniser, one of the great modernising prime ministers of our history... She ensured that British business was manageable by restoring trade unions to the democratic control of their members, defeating the trade union leaders who were running firms from the shop floor...”

With Ronald Reagan she stiffened the resolve of the West to stand up to the Soviet Union and took the courageous decision to use British bases as a defensive shield against the threatened Soviet attack... She played a long game, literally stockpiling coal so that the country could withstand a long miners’ strike. She cut back union power piece by piece, ensuring the slow death of the hard left...

Privatisation was not the centrepiece of the 1979 manifesto: it evolved gradually from the first successful experiment with selling the government’s share in BP. Full scale denationalisation followed as a response to the growing demand for market pluralism and public share ownership...

Today we know what Thatcherism meant for our country - victory in the Cold War, victory against unbridled union power, the sale of council houses, the liberalization of the British economy. Yet all of this was achieved gradually, by a government that knew it had to take public opinion along with it if real and lasting change was to be made.

That change was made. Margaret Thatcher is a fitting recipient of the Morgan Stanley Great Britons award when we judge greatness as it should be judged: the scale of the legacy. She made the landscape in which we live today...”

Colour revolutions

Greg Kaser writes on “What are we to make of the Colour Revolutions?” Some of them are simply the sorting-out of former socialist countries in their counter-revolutionary return to capitalism. Part 2 will be published in our next issue.

The working class in Britain

The discussion of “What, and where, is the working-class in Britain?” begun in the previous issue, continues with Maurice Parker’s piece on the “£1 million apartment in Sheffield” and our continuing examination of industries features the nuclear industry.

Obama on race

An American reader drew our attention to Barack Obama’s speech of 17 March 2008 which was his response to the attacks on the statements of his former pastor, Jeremiah Wright.

In our American friend’s opinion this is very important in terms of setting out the current position of ‘race’ in the USA. We have re-printed large extracts from the speech as we think readers will find it useful in understanding present day politics in America.

Instability of capitalism is causing the storm

On 5th December 2007 a headline in THE INDEPENDENT asked, 'Is Britain's economy heading for the perfect storm'? It cited the triple whammy of 'storm clouds' over the jobs market, a 'chilly climate' on the high street and a 'typhoon' of bad debt buffeting the banks.

Dr Paul Sutton analyses the financial crisis that is sweeping the world today and argues that it is being resolved on the backs of the working class.



The Independent cited the triple whammy of 'storm clouds' over the jobs market, a 'chilly climate' on the high street and a 'typhoon' of bad debt buffeting the banks. It could also have cited a falling housing market, rising mortgage costs and collapsing confidence among many sectors of business to add to the general woe.

The day before the Financial Services Authority, whose remit is to regulate

financial markets, warned Britain's mortgage lenders that they should anticipate a 'double whammy' of funding shortages and rising bad debts as the 'squeeze' on lending percolated through the financial markets.

As it has it, the same day also witnessed hearings into the current financial crisis by the Treasury Select Committee. Appearing before it were senior directors from financial groups

such as Citigroup, UBS, Deutsche Bank and Goldman Sachs, who between them have lost a great deal in the current crisis but who have also profited the most in recent years from the 'boom times' in the economy.

Characteristically, when charged by the Committee with recklessness and multiple failings in their business dealings, they claimed that they could not be held responsible for the problems

now beginning to beset the economy, erroneously blaming other economic factors.

Their denial of culpability is not surprising, but they have a point. The present 'storm clouds' are a symptom of the inherent instability of capitalism, which delivers 'boom' and 'bust' with a familiar regularity, even if it is difficult to predict exactly when either will occur.

It was there at the birth of capitalism in financial bubbles where investors rashly put lots of money in intrinsically worthless or overpriced products such as 'tulips' in Amsterdam in the early Seventeenth century or closer to our times in unproven dot.com companies at the very end of the Twentieth century.

It was there in the many stock market crashes of the Nineteenth century and most famously in the stock market crash of 1929 in the USA and the Asian financial crisis of 1997, both of which had global repercussions.

It is there in the list of recessions that have inevitably accompanied a falling confidence in the ability of capitalism to deliver, which can be a year or two in length, or as in the recession after the collapse of the Vienna stock exchange in 1873, or the US in the 1930s and Japan in the 1990s, last a decade or more. And it is there today in the housing market bubbles of the US and Britain, the fall in the stock exchanges and the inevitable onset of recession.

Recession

The financial press in Britain and the USA are now openly speaking about recession. At the beginning of October last, Alan Greenspan, the former long-time chairman of the Federal Reserve Bank in Washington D.C. (the US equivalent to the Bank of England), was putting the odds of a US recession as 50-50.

The odds have since shortened dramatically. Larry Summers, a former US Treasury Secretary (equivalent to the Chancellor of the Exchequer), writing in the Financial Times at the end of November, claimed 'the odds now favour a US recession that slows growth significantly on a global basis with the risk that the adverse impacts will be felt for the rest of this decade and beyond'.

These have been echoed in London as the fall-out from the US 'sub-prime' mortgage market takes its toll of leading banks, including ones with a reputation for conservative approaches to their business operations such as UBS, based in Switzerland, which announced fur-

ther losses of US\$10 billion at the beginning of December as a result of its exposure in this market.

The details of how this came about are an object (object) lesson in the nature of contemporary capitalism. The US 'sub-prime' market was presented as a win-win situation to all involved.

In the US, those with no savings and very low incomes (in some cases no income) were given the chance to get a mortgage in a situation where, given the lack of public housing, they had no other opportunity to get a roof over their heads.

Not surprisingly, they took it, being told by mortgage brokers that rising house prices would give them a profit so that if they could not really afford the mortgage at first they could do so at the end of one or two years, using the house price increase they got over this period to re-finance the costs of the mortgage, with the difference between the new mortgage and the previous one providing the income to pay off the interest they owed on the previous mortgage.

In effect, the loan was at nil-cost with the added bonus of 'free' housing thrown in. The mortgage brokers did very well out of this 'scam' earning large fees on commission for all the mortgages they sold. The banks, which financed these mortgages did very well by 'slicing and dicing', otherwise known as 'securitising risk'.

Quite simply, they bundled the mortgages into 'small packages', which they then sold on as mortgage bonds which were then traded among other financial institutions such as pension funds. Since there were a large number of packages and a large number of buyers, the buyers thought any risk was spread throughout the system, making any potential losses by the bondholder smaller. The same applied to the rewards.

These were the profits from interest on the new mortgages (backed by the property) and had the added advantage that other 'products' could be offered for sale. In all, they thought they had found a simple but secure mechanism to create a new seam of potential consumers by extending financial capitalism into new markets, with all that implied for the expansion of the capitalist system.

The problem was that it depended on rising house prices. When they began to fall the new mortgage holders could not re-mortgage and fell into arrears, leading to repossession by the banks.

The banks and other financial agencies that held mortgage bonds were

exposed to risk (since the assets in the form of houses were now worth less than the mortgages) and the overall risk to the financial system could not be calculated easily since the banks did not know who had bought what and so were reluctant to loan to each other in case they became 'overexposed' to loss.

The globalised system in which banks now operate meant this was not simply a crisis for the US but a crisis for the system in general, and particularly the banks in the most active financial sectors such as London.

Since the banks are the main suppliers of credit to the capitalist system on which future economic growth is based, any reduction of credit by them (to cover losses now estimated to be somewhere between US\$200-400 billion) would mean less growth, no growth or even 'negative growth', that is recession.

The object lesson is that 'win-win' situations do not exist under capitalism. There is always a loser and those who have witnessed the harrowing news stories on television of house repossessions in the US know that it is the poorest there that are suffering the most.

There is also another lesson on the nature of contemporary capitalism. Globalisation of markets permits the effects of loss, whether of capital or confidence, to be rapidly spread throughout the system.

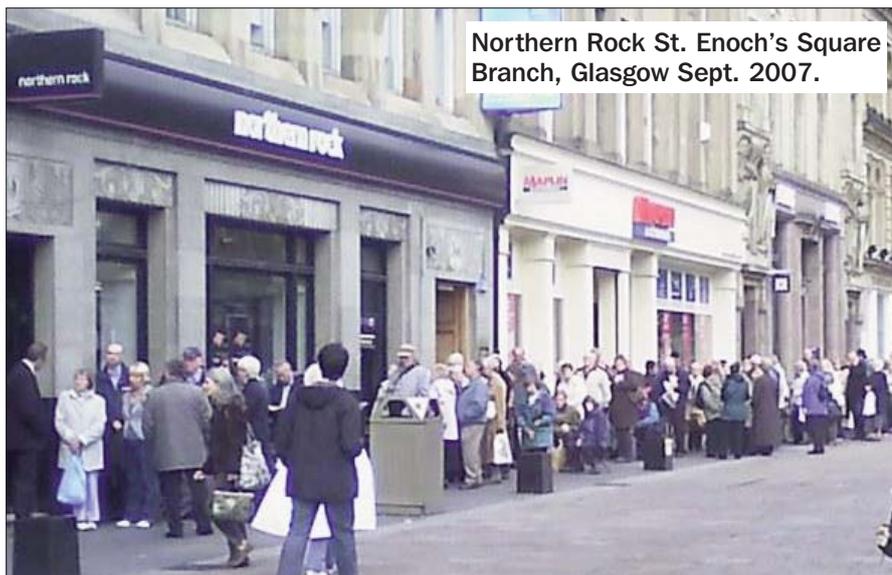
Mutual benefits can be matched by mutual contagion, and while in this case the effects of this crisis have been felt more in the established leading capitalist centres of the world in Europe and North America, the rapid expansion of capitalism in the newly emerging markets of Asia and South America make it certain that it will not be too long before future crises will have their impact on these regions as well.

Impact on Britain

But more immediately, what is its impact on Britain? The main point to grasp here is that British capitalism, among the modern sub-varieties of capitalism, is closest to US capitalism in the way it functions.

It favours the market as the solution to most problems, it is only lightly regulated by the state which is supposed to act in the public interest, and it is geared to benefit financial and commercial capital (the service sector) over industrial or productive capital.

Its horizons are essentially short term or medium term (3 to 5 years) and it measures success in profits – proxied by the fabled Christmas bonuses in the City – over any other outcome.



Northern Rock St. Enoch's Square Branch, Glasgow Sept. 2007.

As such, it is not surprising to find a sub-prime market operating in Britain. Some 9% of mortgage loans are said to be 'sub-prime'. Of these, 80% were sold by mortgage brokers who often relied on clients 'self-certifying' their ability to meet the mortgage payments.

As the housing market is now stalled, and in many areas house prices have begun to fall, the imminent onset of a British 'sub-prime' crisis can be expected.

It will be smaller in effect than the US case but it will have major repercussions, particularly since it will extend beyond the 'sub-prime' sector to affect the 1.4 million borrowers who are going to have to refinance their mortgages and pay much more for them in 2008.

That is why we had the highly publicised spectacle in December 2007 of David Cameron, with an eye on the next elections, following George Bush Jnr in trying to market a 'caring conservatism' through appeals to mortgage lenders to go easy on repossessions and refinancing.

Second, Gordon Brown loves 'innovation' and 'the City' in equal measure. The 'sub-prime' crisis is a consequence of innovation in financial instruments which are essentially unregulated (or at best self-regulated by the bankers who gain most from interfering least).

In the not too distant past the financing of private housing was the province of the building society in the High Street who took the modest savings of mainly small depositors and turned them into secure loans for those seeking realistic mortgages on modestly priced properties.

It was simple and it was tried and trusted. No longer is this the case. The building societies are turned into banks, like Northern Rock, and these banks

seek funds from the financial markets, which are global in reach.

The biggest banks have taken full advantage of this situation and have dreamed up numerous new ways to make money via so-called 'special investment vehicles'.

The problem is these are complicated to understand even by the bankers themselves. That is why some years ago we had the spectacle of the senior managers of Barings Bank, just before it collapsed, claiming they did not understand how 'derivatives', which were being traded by its 'rogue banker', worked.

Or more recently, it is reported that in mid-August the current chairman of the Federal Reserve, Ben Bernanke, had requested a refresher course from 'hedge fund' managers to try to understand how the modern banking system, which is now highly complex, actually works. When you don't know how it works, how can you repair it?

Which finally brings up the subject of recession. The last eight out of ten recessions in the US were preceded by sharp falls in house prices.

While some in the US continue to deny recession is likely, countervailing action has already been taken with several cuts in the central bank rate since September in an attempt to hold back falling economic growth.

The UK has followed suit and the Bank of England cut one-quarter per cent off the rate in December to bring it to 5.5%. The reason given for so doing was not the fear of inflation – which hitherto had been the primary objective of monetary policy – but the slow-down in consumer spending and the tightening of credit conditions, which were impacting negatively on both households and business.

While there are many in the UK who also deny a coming recession the action by the Bank is significant. It signals, as does the US action, recognition of the need for state intervention to correct market failure.

Of course, the British government would claim the action to reduce the rate was 'independently' taken by the monetary committee of the Bank. Yet the political overtones cannot be lightly dismissed in the face of the virtual consensus in the media of the urgent need for an interest rate cut.

As such, it is difficult to think that if the Chancellor of the Exchequer had still been in charge of setting interest rates he would have acted differently – or perhaps even would have acted earlier.

It would be comforting to think that this anticipates a return to some form of Keynesianism in which state action to correct the market, or even to substitute for it, is made more likely. Unfortunately, such a limited, but nevertheless progressive step, is unlikely. Gordon Brown has too much invested in his so-called 'masterstroke' of giving up control over the Bank rate to now claw it back.

On his part, the Chancellor of the Exchequer has been shown to prefer a 'market' solution to the Northern Rock debacle by seeking first and foremost a 'private' buyer for the bank rather than nationalisation, even for a short period.

Both are still in thrall to the City, which is why both are in their jobs. Yet to remain in this mind-set is to remain ideologically wedded to a failing capitalism even when it shows its 'unacceptable face', as the former Tory leader, Edward Heath, once put it.

This is not surprising and, once again, it has its echoes in the US. Paul Krugman, a noted academic economist, argued in the New York Times on December 3rd that US policy makers 'were committed to the view that the market is always right and simply ignored the warning signs' of the 'sub prime crisis' or the need to 'regulate financial innovation' with inevitable costs to the credibility of the system as a whole.

In the meantime, the costs of such failures are borne most heavily on both sides of the Atlantic on those who have gained the least.

There is no crisis in capitalism, Lenin warned, that cannot be solved on the backs of the working class.

The resolve must be to make it harder than ever to resolve this latest crisis for capitalism in this particularly brutal way.

Race is an issue the US cannot afford to ignore

**An abridged version of Barack Obama's speech: Philadelphia 17 March 2008.
Go to - www.my.barackobama.com - for the unabridged version.**

"WE THE people, in order to form a more perfect union....."

Two hundred and twenty one years ago, in a hall that still stands across the street, a group of men gathered and, with these simple words, launched America's improbable experiment in democracy.

Farmers and scholars; statesmen and patriots who had traveled across an ocean to escape tyranny and persecution finally made real their declaration of independence at a Philadelphia convention that lasted through the spring of 1787.

The document they produced was eventually signed but ultimately unfinished. It was stained by this nation's original sin of slavery, a question that divided the colonies and brought the convention to a stalemate until the founders chose to allow the slave trade to continue for at least 20 more years, and to leave any final resolution to future generations.

And yet words on a parchment would not be enough to deliver slaves from bondage, or provide men and women of every color and creed their full rights and obligations as citizens of the United States.

I am the son of a black man from Kenya and a white woman from Kansas. I was raised with the help of a white grandfather who survived a Depression to serve in Patton's Army during World War II and a white grandmother who worked on a bomber assembly line at Fort Leavenworth while he was overseas.

I've gone to some of the best schools in America and lived in one of the world's poorest nations. I am married to a black American who carries within her the blood of slaves and slaveowners - an inheritance we pass on to our two precious daughters.

I have brothers, sisters, nieces, nephews, uncles and cousins, of every race and every hue, scattered across three continents, and for as long as I live, I will never forget that in no other country on Earth is my story even possible.



It's a story that hasn't made me the most conventional candidate. But it is a story that has seared into my genetic makeup the idea that this nation is more than the sum of its parts - that out of many, we are truly one.

Throughout the first year of this campaign, against all predictions to the contrary, we saw how hungry the American people were for this message of unity.

Despite the temptation to view my candidacy through a purely racial lens, we won commanding victories in states with some of the whitest populations in the country. In South Carolina, where the Confederate Flag still flies, we built a powerful coalition of African-Americans and white Americans.

This is not to say that race has not been an issue in the campaign. At various stages in the campaign, some commentators have deemed me either "too black" or "not black enough."

We saw racial tensions bubble to the surface during the week before the

South Carolina primary. The press has scoured every exit poll for the latest evidence of racial polarization, not just in terms of white and black, but black and brown as well.

And yet, it has only been in the last couple of weeks that the discussion of race in this campaign has taken a particularly divisive turn. On one end of the spectrum, we've heard the implication that my candidacy is somehow an exercise in affirmative action, that it's based solely on the desire of wide-eyed liberals to purchase racial reconciliation on the cheap.

On the other end, we've heard my former pastor, Rev. Jeremiah Wright, use incendiary language to express views that have the potential not only to widen the racial divide, but views that denigrate both the greatness and the goodness of our nation - that rightly offend white and black alike.

I have already condemned, in unequivocal terms, the statements of Rev. Wright that have caused such controversy. For some, nagging questions remain.

Did I know him to be an occasionally fierce critic of American domestic and foreign policy? Of course. Did I ever hear him make remarks that could be considered controversial while I sat in church? Yes. Did I strongly disagree with many of his political views? Absolutely - just as I'm sure many of you have heard remarks from your pastors, priests or rabbis with which you strongly disagreed.

But the remarks that have caused this recent firestorm weren't simply controversial. They weren't simply a religious leader's effort to speak out against perceived injustice. Instead, they expressed a profoundly distorted view of this country - a view that sees white racism as endemic, and that elevates what is wrong with America above all that we know is right with America, a view that sees the conflicts in the Middle East as rooted primarily in the actions of stalwart allies like Israel, instead of emanating from the perverse and hateful ide-

ologies of radical Islam.

As such, Rev. Wright's comments were not only wrong but divisive, divisive at a time when we need unity; racially charged at a time when we need to come together to solve a set of monumental problems - two wars, a terrorist threat, a falling economy, a chronic health care crisis and potentially devastating climate change; problems that are neither black or white or Latino or Asian, but rather problems that confront us all.

The church contains in full the kindness and cruelty, the fierce intelligence and the shocking ignorance, the struggles and successes, the love and yes, the bitterness and bias that make up the black experience in America.

And this helps explain, perhaps, my relationship with Rev. Wright. As imperfect as he may be, he has been like family to me. He strengthened my faith, officiated my wedding, and baptized my children.

Not once in my conversations with him have I heard him talk about any ethnic group in derogatory terms, or treat whites with whom he interacted with anything but courtesy and respect. He contains within him the contradictions - the good and the bad - of the community that he has served diligently for so many years.

I can no more disown him than I can disown the black community. I can no more disown him than I can my white grandmother - a woman who helped raise me, a woman who sacrificed again and again for me, a woman who loves me as much as she loves anything in this world, but a woman who once confessed her fear of black men who passed by her on the street, and who, on more than one occasion, has uttered racial or ethnic stereotypes that made me cringe.

I suppose the politically safe thing would be to move on from this episode and just hope that it fades into the woodwork.

We can dismiss Rev. Wright as a crank or a demagogue, just as some have dismissed Geraldine Ferraro, in the aftermath of her recent statements, as harboring some deep-seated racial bias. But race is an issue that I believe this nation cannot afford to ignore right now.

... we do need to remind ourselves that so many of the disparities that exist in the African-American community today can be directly traced to inequalities passed on from an earlier genera-

tion that suffered under the brutal legacy of slavery and Jim Crow.

Segregated schools were, and are, inferior schools; we still haven't fixed them, fifty years after *Brown v Board of Education*, and the inferior education they provided, then and now, helps explain the pervasive achievement gap between today's black and white students.



Legalized discrimination - where blacks were prevented, often through violence, from owning property, or loans were not granted to African-American business owners, or black homeowners could not access FHA mortgages, or blacks were excluded from unions, or the police force, or fire departments - meant that black families could not amass any meaningful wealth to bequeath to future generations.

That history helps explain the wealth and income gap between black and white, and the concentrated pockets of poverty that persists in so many of today's urban and rural communities.

A lack of economic opportunity among black men, and the shame and frustration that came from not being able to provide for one's family, contributed to the erosion of black families - a problem that welfare policies for many years may have worsened.

And the lack of basic services in so many urban black neighborhoods - parks for kids to play in, police walking the beat, regular garbage pick-up and building code enforcement - all helped create a cycle of violence, blight and neglect that continue to haunt us.

This is the reality in which Rev. Wright and other African-Americans of his generation grew up. They came of age in the late fifties and early sixties, a time when segregation was still the law of the land and opportunity was systematically constricted.

What's remarkable is not how many failed in the face of discrimination, but rather how many men and women overcame the odds; how many were able to make a way out of no way for those like me who would come after them.

But for all those who scratched and clawed their way to get a piece of the American Dream, there were many who didn't make it - those who were ultimately defeated, in one way or another, by discrimination.

That legacy of defeat was passed on to future generations - those young men and, increasingly, young women who we see standing on street corners

or languishing in our prisons, without hope or prospects for the future. Even for those blacks who did make it, questions of race, and racism, continue to define their worldview in fundamental ways.

For the men and women of Rev. Wright's generation, the memories of humiliation and doubt and fear have not gone away; nor has the anger and the bitterness of those years.

That anger may not get expressed in public, in front of white co-workers or white friends. But it does find voice in the barber shop or around the kitchen table. At times, that anger is exploited by politicians, to gin up votes along racial lines, or to make up for a politician's own failings.

And occasionally it finds voice in the church on Sunday morning, in the pulpit and in the pews. The fact that so many people are surprised to hear that anger in some of Rev. Wright's sermons simply reminds us of the old truism that the most segregated hour in American life occurs on Sunday morning.

That anger is not always productive; indeed, all too often it distracts attention from solving real problems; it keeps us from squarely facing our own complicity in our condition, and prevents the African-American community from forging the alliances it needs to bring about real change.

But the anger is real; it is powerful; and to simply wish it away, to condemn it without understanding its roots, only serves to widen the chasm of misunderstanding that exists between the races.

In fact, a similar anger exists within segments of the white community. Most working and middle-class white Americans don't feel that they have been particularly privileged by their race.

Their experience is the immigrant experience - as far as they're concerned, no one's handed them anything, they've built it from scratch. They've worked hard all their lives, many times only to see their jobs shipped overseas or their pension dumped after a lifetime of labor.

They are anxious about their futures, and feel their dreams slipping away; in an era of stagnant wages and global competition, opportunity comes to be seen as a zero sum game, in which your dreams come at my expense.

So when they are told to bus their children to a school across town; when they hear that an African-American is getting an advantage in landing a good job or a spot in a good college because of an injustice that they themselves

never committed; when they're told that their fears about crime in urban neighborhoods are somehow prejudiced, resentment builds over time.

Like the anger within the black community, these resentments aren't always expressed in polite company. But they have helped shape the political landscape for at least a generation.

Anger over welfare and affirmative action helped forge the Reagan Coalition. Politicians routinely exploited fears of crime for their own electoral ends. Talk show hosts and conservative commentators built entire careers unmasking bogus claims of racism while dismissing legitimate discussions of racial injustice and inequality as mere political correctness or reverse racism.

Just as black anger often proved counterproductive, so have these white resentments distracted attention from the real culprits of the middle-class squeeze - a corporate culture rife with inside dealing, questionable accounting practices and short-term greed; a Washington dominated by lobbyists and special interests; economic policies that favor the few over the many.

And yet, to wish away the resentments of white Americans, to label them as misguided or even racist, without recognizing they are grounded in legitimate concerns - this too widens the racial divide, and blocks the path to understanding.

This is where we are right now. It's a racial stalemate we've been stuck in for years. Contrary to the claims of some of my critics, black and white, I have never been so naive as to believe that we can get beyond our racial divisions in a single election cycle, or with a single candidacy - particularly a candidacy as imperfect as my own.

In the white community, the path to a more perfect union means acknowledging that what ails the African-American community does not just exist in the minds of black people; that the legacy of discrimination - and current incidents of discrimination, while less overt than in the past - are real and must be addressed.

Not just with words, but with deeds - by investing in our schools and our communities; by enforcing our civil rights laws and ensuring fairness in our criminal justice system ...

This time we want to talk about the crumbling schools that are stealing the future of black children and white children and Asian children and Hispanic children and Native American children.

This time we want to reject the cynicism that tells us that these kids can't

learn; that those kids who don't look like us are somebody else's problem. The children of America are not those kids, they are our kids, and we will not let them fall behind in a 21st Century economy. Not this time.

This time we want to talk about how the lines in the emergency room are filled with whites and blacks and Hispanics who do not have health care, who don't have the power on their own to overcome the special interests in Washington, but who can take them on if we do it together.

This time we want to talk about the shuttered mills that once provided a decent life for men and women of every race, and the homes for sale that once belonged to Americans from every religion, every region, every walk of life.

This time we want to talk about the fact that the real problem is not that someone who doesn't look like you might take your job; it's that the corporation you work for will ship it overseas for nothing more than a profit.

This time we want to talk about the men and women of every color and creed who serve together, and fight together, and bleed together under the same proud flag.

We want to talk about how to bring them home from a war that never should've been authorized and never should've been waged, and we want to talk about how we'll show our patriotism by caring for them, and their families, and giving them the benefits they have earned.

I would not be running for president if I didn't believe with all my heart that this is what the vast majority of Americans want for this country.

And today, whenever I find myself feeling doubtful or cynical about this possibility, what gives me the most hope is the next generation - the young people whose attitudes and beliefs and openness to change have already made history in this election.

There is one story in particular that I'd like to leave you with today - a story I told when I had the great honor of speaking on Dr. King's birthday at his home church, Ebenezer Baptist, in Atlanta.

There is a young, 23-year-old white woman named Ashley Baia who organized for our campaign in Florence, South Carolina. She had been working to organize a mostly African-American community since the beginning of this campaign, and one day she was at a roundtable discussion where everyone

went around telling their story and why they were there.

And Ashley said that when she was 9 years old, her mother got cancer. And because she had to miss days of work, she was let go and lost her health care. They had to file for bankruptcy, and that's when Ashley decided that she had to do something to help her mom.

She knew that food was one of their most expensive costs, and so Ashley convinced her mother that what she really liked and really wanted to eat more than anything else was mustard and relish sandwiches.

Because that was the cheapest way to eat. She did this for a year until her mom got better, and she told everyone at the roundtable that the reason she joined our campaign was so that she could help the millions of other children in the country who want and need to help their parents, too.

Now Ashley might have made a different choice. Perhaps somebody told her along the way that the source of her mother's problems were blacks who were on welfare and too lazy to work, or Hispanics who were coming into the country illegally. But she didn't. She sought out allies in her fight against injustice.

Anyway, Ashley finishes her story and then goes around the room and asks everyone else why they're supporting the campaign.

They all have different stories and reasons. Many bring up a specific issue. And finally they come to this elderly black man who's been sitting there quietly the entire time.

And Ashley asks him why he's there. And he does not bring up a specific issue. He does not say health care or the economy. He does not say education or the war. He does not say that he was there because of Barack Obama. He simply says to everyone in the room, "I am here because of Ashley."

"I'm here because of Ashley." By itself, that single moment of recognition between that young white girl and that old black man is not enough.

It is not enough to give health care to the sick, or jobs to the jobless, or education to our children.

But it is where we start. It is where our union grows stronger. And as so many generations have come to realize over the course of the two-hundred and twenty one years since a band of patriots signed that document in Philadelphia, that is where the perfect-union begins.



Are we seeing the end of New Labour?

Prime Minister Brown, having got a good press for his dealing with 'crises' ('foot and mouth' and floods) early in his Prime Ministership seems now to be in freefall.

ALEX DAVIDSON asks if this is the end of New Labour.

Gordon Brown's honeymoon period was brought to an end by his own decision at the end of 2007 not to call a General Election. Much as he denied it, the public perception was that it was a negative poll report which decided it for him and he got cold feet.

The truth is that he decided against a November election because the Northern Rock crisis would have been at its height in the midst of an election. Given that his campaign was to rest on his well-established 'economic prudence' this made a November election impossible. Since then he has been buffeted from pillar to post, the polls got worse and the May local election results in England and Wales were Labour's worst performance for four decades.

And it got worse with the loss of the Crewe and Nantwich bye-election. A 17.6% swing to the Tories resulted in the loss of this seat for the first time since the war.

The problems are not all his doing: Northern Rock's collapse is an outcome of the workings of the capitalist system; but, the desperation to find a private buyer and the great reluctance to nationalise the bank reflect Brown's approach which favours Big Business.

But business has 'fallen out of love' with New Labour over Inheritance tax, Capital Gains tax and 'Non-Domiciles' tax, even although Brown has retreated on every one of those issues.

The first months of the year saw the government looking weak (retreat over issues), incompetent (the loss of government data on several occasions) and directionless (what to do about the economy). And, Brown amidst this comes over as a 'control freak', speaking and answering for the government on everything and therefore being blamed for everything.

Local election results in England and Wales saw the loss of 331 Labour councillors and 9 Labour councils.

And, then there is Scotland. Labour's

heartland is steadily being lost to the SNP. Labour has taken Scotland for granted for many years (the Tories have 1 MP at Westminster from Scotland) but, after the 2007 Scottish election the landscape has changed.

In the May 2007 election, the SNP made considerable gains and won one more seat than Labour. They formed a minority government. Labour, who believed their own propaganda that the SNP were incompetent and would not perform well in government have been embarrassed by the new government.

The SNP government looks more competent than the previous Labour administrations. Despite its minority status the SNP government has managed to do some (popular) things, like abolish prescription charges, freeze Council tax, scrap bridge tolls and give a reprieve to hospital Accident and Emergency units. They have also completely tactically outmanoeuvred all of the opposition parties, especially Labour. And, their leader Alex Salmond outshines all other politicians. A recent opinion poll put him 75 points ahead of the Labour leader. Labour has



been reduced to a carping opposition. Everything points to the SNP increasing their number of seats at the next Scottish election and doing severe damage to Labour at the next Westminster election. (1)

The SNP were not elected because the Scottish people have become more nationalist. No, it was mainly because of the Labour government's policy on Iraq and disenchantment with New Labour's Tory policies domestically. This combined with the PR electoral system, introduced by Labour, assured the gains of the SNP. However, with an effective SNP government the attraction of independence is likely to grow.

The Labour Party underestimated the SNP and now out of office they are in disarray. The new Labour Party leader in Scotland, Wendy Alexander, became mired in an expenses scandal, which coincided with a similar scandal involving Peter Hain, who was forced to resign from the Brown government. She has survived that, but with a loss in credibility and has been no match for Alex Salmond.

The Labour government (10 years led by Blair and a few months by Brown) is looking punch-drunk, incompetent, weak and directionless.

It has alienated its base (working people and the trade unions), is stuck in unwinnable, unpopular wars in Iraq and Afghanistan and the economy is heading for a severe downturn, which will disproportionately adversely affect Labour's support base. The shine has long gone. Are we seeing the end of New Labour?

FOOTNOTE:

(1) Currently there are 59 Scottish MPs at Westminster: Labour 40 (plus the Speaker), Liberal Democrats 11, SNP 6, Tories 1

Scottish Parliament: Labour and SNP seats			
2003		Lab	SNP
	First past the post	46	9
	Additional seats	4	18
	Total	50	27
2007		Lab	SNP
	First past the post	37	21
	Additional seats	9	26
	Total	46	47

Sheffield and the £1m apartment

Recently the Sheffield Telegraph carried the ominous headline “Is Sheffield ready for the £1m apartment?”

MAURICE PARKER continues our series on “What and where is the working class?” and looks at capitalism and the working class.



The block of flats (pictured above) is being built in Ecclesall, on the west side of Sheffield where many professional and business people live.

The property boom in the city, referred to as “regeneration”, has so far provided unaffordable housing on cramped sites. Estate agents seem delighted with these increasingly elite properties. They think Sheffield has arrived.

Ecclesall is within the Hallam constituency whose MP, Nick Clegg, has become the leader of the Liberal Democrats. The constituency is well known for its wealth. Attracting the wealthy has been justified as a benefit, as entrepreneurs will come to live in Sheffield, taking it away from its industrial past.

What About The Workers?

On the east side of town are the big council estates, with many small houses now privately owned. Mixed in are older owner-occupied estates. This is where voters still return Labour councillors en masse. There is not much spare money here.

But many working class houses have more than one car parked on the kerb. There are widescreen televisions, conservatories, fitted kitchens and the rest. Teenagers dress like fashion models. iPods and mobiles are de rigeur. It all costs money.

There is a lot of debt, brought on by unemployment or overspending on credit. Some families manage without the internet, putting their offspring at a disadvantage in their studies or when competing in the labour market. Remortgaging provides temporary relief, when all there is to sell is your labour power.

The working class are distinct from the middle strata, but the very wealthy are out of sight. Everyone is said to have the same interests and values, and the rich prefer not to flaunt their wealth. The £1m flat does not look much from the outside.

What Does It Mean?

The people of no property have neither been abolished nor made into a universal middle class, as once claimed. The working class is conscious enough to continue voting Labour, despite recent decline. Daily experience confirms the sheer effort of providing for a family at a historically conditioned level, as Marx might have put it.

Easier living for the better off continues as before. Sustained by tax relief on business deals, by ISA’s and Unit Trusts, many people earn enough to need financial advice with their investments. Those with enough money can make more if they know how.

The property system is still here. The rebuilding of our cities is based on the private ownership of social property. Developers, banks and construction companies compete for sites, but cooperate with each other to nudge up land and property values, creating conditions to justify their individual investments.

Many are skilled at this subtle game, making use of herd instinct. Gaining advantage over the local planning authority is part of the challenge, all against the backdrop of rising commodity prices, notably oil and steel.

Does the working class still exist as “a class for itself” or “a class against capital”?

This is difficult. But Tory politicians want us to deny “the politics of envy.” By this they mean class politics, which recognises that an unjust property system creates a wealthy class at the expense of the people. What the elite fears most is a politically conscious class of people of no property, with unshakeable beliefs in their rights and the determination to correct social wrongs.

They would rather have us aspiring to personal progress within the system, rather than challenging the system and seeking to change it.

Opportunism

In Britain they have successfully managed us as a class using various tools. In 1858 Engels complained in a letter to Marx of the thoroughly bourgeois English proletariat (1).

A century ago Lenin considered that imperialism had given an upper class of workers enough concessions for them to identify with the system. They did not have much, perhaps a skilled job and membership of a craft union, but enough to neutralise discontent. He often referred to this “labour aristocracy” (2).

But things can change. Later, writing in Pravda on 1 January 1913, Lenin commented on our miners’ strike of 1912:

“The miners displayed exemplary organisation. There was not a trace of blacklegging. Coal mining by soldiers or inexperienced labourers was out of the question. After six weeks of struggle the bourgeois government of Britain saw that the country’s entire industrial activity was coming to a standstill...

“The government made concessions...In five days a new law was rushed through Parliament! This law introduced a minimum wage ie regulations establishing rates of pay below which wages cannot be reduced...

“In Britain a change has taken place in the balance of social forces, a change that cannot be expressed in figures but is felt by all.” (3)

Civil nuclear power's renaissance underway

As well as changing the world, climate change is also changing the political climate in favour of civil nuclear power. So much so that a civil nuclear power renaissance is under way in the UK and throughout the world.

JAMES THOMSON reports.

On 10 January 2008, the Secretary of State for Business, John Hutton MP said it was in the country's vital long-term interest that nuclear power should play a role in providing Britain with clean, secure and affordable energy. He then invited energy companies to bring forward plans to build and operate new nuclear power stations.

Events since that landmark announcement indicate that the Government is keener than ever to press ahead with new nuclear build. Britain's nuclear industry and international energy companies have moved into top gear to keep pace with the UK Government's urgent time scales and ambitions.

British Energy, the UK's main nuclear generator was a basket case six years ago and had to be bailed out by the Labour Government. Today it is top of the FTSE 100 risers and is the target in a takeover battle involving several major energy companies including the French EDF and Centrica, the owners of British Gas.

After over two decades of dormancy

nuclear power is the flavour of the moment. Suitable locations for new nuclear reactors, almost certainly on the sites of existing stations that already have nuclear site licenses, are being studied and prepared. British Energy's Sizewell site in Suffolk and the Nuclear Decommissioning Authority's (NDA) Bradwell site in East Anglia seem set to be among the first sites being earmarked for the new generation of reactors.

There is talk that the number of new stations being seriously contemplated could be as many as 15 and that nuclear could be generating up to 30% of the UK's electricity in 15 to 20 years time. It is currently 19% and declining. Changed days indeed.

This nuclear renaissance could also herald a major boost for the civil engineering and construction industry and the UK's struggling engineering and manufacturing sector. The estimated cost of one new 1000 megawatt nuclear station such as Westinghouse's AP1000 is currently between £1.5 and £2 billion. According to the Toshiba-owned

Westinghouse some 80% of their AP1000 could be sourced and manufactured in the UK.

All of this has come as a most welcome fillip to the 60,000 strong workforce in the UK's nuclear industry which ranges diversely from nuclear science PhDs to nuclear waste process workers and all sorts of skilled and semi-skilled workers in between.

The industry's largest site, which supports the UK's largest nuclear and predominantly working class community, is the Sellafield nuclear waste site in West Cumbria.

It employs around 10,000 core and sub-contract workers. Sellafield used to be owned and managed by the state-owned British Nuclear Fuels Ltd. (BNFL) but is now owned and managed by the state-owned NDA. Like the rest of the nuclear industry in the UK, Sellafield is highly unionised. The nuclear industry's principal unions are Prospect, GMB, Amicus (Unite) and TGWU (Unite).

For the past 20 years Britain's nuclear communities – from Dounreay in the far north of Scotland to Dungeness in the south east of England – have lived with the pall of decline hanging over their industry as the self-styled green movement effectively campaigned to have the nuclear industry phased out and closed down altogether. Such was their influence that the pro-

Sheffield and the £1m apartment

As capitalism moved decisively into its imperialist phase, the great powers decided to fight it out, producing a political response even from a bourgeois working class.

Capitalist Democracy

Today we can be sure that an upper stratum of wage and salary earners still exists, whether as train drivers, local government officers or in education. Its true extent and character might usefully be studied. Credit has made the bourgeois way of life widespread. In fact, excessive credit has made con-

sumers out of most workers in order to absorb overproduction.

Parliamentarism has accompanied these improvements. From small beginnings it has spread around the world, sometimes being imposed by force. It has promoted the idea of "due process" for resolving disputes within the system. A recent survey of Middle Eastern opinion confirmed its appeal to those still suffering under medieval regimes.

Lenin commented that bourgeois democracy is the best form of political shell for capitalism. Elites continue to act on this assumption. It is a defining

characteristic of imperialism at its present stage.

Correspondingly, labour movement thinking has mostly been limited to immediate economic gains, at the expense of wider, active class consciousness and the making of political demands.

FOOTNOTES:

- (1) Marx and Engels - The Socialist Revolution, Progress Publishers 1978, p.114
- (2) Lenin on Britain, Progress Publishers, revised edition 1973.
- (3) Lenin on Britain: The British Labour Movement in 1912, Pravda No 1.



Sellafield employs over 10,000 workers and supports in West Cumbria the UK's largest nuclear and predominantly working class community.

nuclear former Prime Minister, Tony Blair admitted that he had “parked” the issue of new nuclear build throughout the 10 years of his Government.

It was left to Gordon Brown to grasp the nettle of new nuclear build but if the truth be told it was the impact of climate change throughout the world, rising carbon emissions and the need to reduce those emissions dramatically that tipped the political balance in favour of nuclear power.

Carbon dioxide (CO₂) is one of the most harmful of the basket of “greenhouse gases” that the majority of climate change modellers believe is cooking our planet and causing serious climatic changes. Nuclear power's great advantage is that it emits almost no carbon dioxide.

With the news that a new nuclear station could be built at Bradwell in East Anglia, a local campaign to stop it - Blackwater Against New Nuclear Group (BANNG) – was established to “protect the people and environment of the River Blackwater estuary from the risks and dangers of radioactivity.”

This led to a lively debate in the East Anglian Daily Times. One reader pointed out that Sizewell B nuclear plant has been “operating at full load for the last 516 days, offsetting the equivalent of fifteen million tonnes of CO₂. To match this with wind power, there would have to be around three thousand 2MW turbines covering an area of 750 km².”

That's why nuclear power has slipped down the green movement's agenda and what they increasingly regard as the 'real culprits' of climate change are now their key targets. Although they still hate nuclear, the fact that nuclear power is almost carbon-free puts them on the wrong side of the divide over which fuels can best help save the planet.

Nuclear is now firmly on the right side of that dividing line. Oil, gas, coal and other carbon-emitters are not. Soaring oil and gas prices and the predictions that the current huge price hikes are here to stay make the notion

of burning these carbon-based fuels to generate electricity increasingly unattractive. So top of the greens' current hate list are aeroplanes, Heathrow's new runway, 4x4 SUV gas guzzlers, roads construction, coal-fired power stations, bio-fuels and patio gas heaters.

Nuclear is still there - a constant article of faith - but in the context of climate change and carbon-free fuels, it is not the easy target it once was. They attack its expense and longevity of its radioactive waste but you get a real sense that it is no longer number one on their hit list.

Nuclear's other big advantage, as the East Anglian Times reader claims, is that one station can generate large quantities of electricity 24 hours a day seven days a week without interruption. This is the 24 /7 secure base load supply that has been a big factor in the UK Government committing to its current ambitious nuclear power programme.

One of the most interesting of the Green climate change modellers is the octogenarian UK chemist, **James Lovelock**, (pictured.) Lovelock, the author of the Gaia Theory, is both an avowed green and an avowed supporter of nuclear power.



What makes Lovelock so interesting is that his 'green' credentials are unimpeachable. One commentator described him as the "pope of environmentalism."

Speaking in November 2004 to a conference on the future of nuclear power, organised by the Prospect trade union, Lovelock said: "I am a Green and I have been one for most of my life. ... Now that we have made the Earth sick ... it will not be cured by alternative green remedies like wind turbines and bio fuels alone. Which is why I recommend instead the appropriate medicine of nuclear energy as part

of a sensible portfolio of energy sources."

What Lovelock argues most forcefully is that climate change is happening so fast that there is simply not enough time to wait for ONLY renewable energy to save the planet.

He said: “Modellers, including me, have predicted that somewhere between 400 and 600 parts per million of carbon dioxide, the Earth passes a threshold beyond which global warming becomes irreversible. We are now at 380 parts per million and at the present rate of increase could reach 400 parts per million in as short a time as seven years”.

This is the rationale that the Labour Government has accepted and that, along with future security of electricity supplies, has led to today's nuclear power renaissance.

One Government that has not accepted this rationale, and in a country that generates around 40% of its electricity from two nuclear power stations, is Scotland. On 3 May 2007 the Scottish National Party gained a historic victory in the Scottish Parliament Elections beating Scottish Labour by the slimmest of all margins, one seat.

With the support of the Scottish Green Party they formed a minority Government and have surprised everyone with their go ahead attitude and drive. A sharp contrast to the “managerial” and constantly calculating style of the last Labour-Liberal coalition that had control for the past 8 years.

The UK Government may be in favour of new nuclear, but at present the Scottish Government is totally and vehemently opposed. The SNP have long been the most staunch opponents of civil nuclear power.

Because planning is a matter devolved to the Scottish Parliament and is the province of the new SNP Scottish Government they will use their planning authority powers to block every move for new nuclear in Scotland.

The SNP's policy is to phase out nuclear and make Scotland the renewables energy capital of the world. However, the only renewable source that is at present anything like viable is wind. But wind farms are not all that popular, even within the SNP. Nor are they all that reliable requiring back-up base load stations in the event the wind does not blow at times of peak demand.

A proposal for the largest wind farm in Europe at Lewis in the Western Isles has just been turned down by the SNP Government leading many to believe

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What are we to make of the 'Colour Revolutions'?

Britain's Foreign Secretary David Miliband told the world the UK was on a mission to spread democracy. He said "the Left" should join with "the neo-conservatives" in "spreading democracy around the world" using the full range of diplomatic and military means, as this was "a great progressive project." (Footnotes)

GREG KASER examines the nature of the 'Colour Revolutions' around the world.



For David Miliband, a foreign policy promoting democratic government is not simply a "moral impulse" but in every country's national interest, since democracy is the "best custodian" for free trade and internal stability and is even "a strong safeguard against interstate war"!

Four years earlier, Jack Straw had delivered a similar speech proclaiming "a new era for foreign policy", in which Britain pursued "an integrated agenda ... to build lasting safety and prosperity [around the world] underpinned by justice" through sustainable develop-

ment and by promoting democracy, good governance and human rights. (2)

These fine words echo a campaign in the English language media over the last few years to hail the 'colour revolutions' that have supposedly ushered in pro-Western and democratic governments in Ukraine, Georgia, Kyrgyzstan and Lebanon.

However, when we look closely we find that instead of democracy there remains significant corruption and electoral fraud; and instead of a 'revolution' towards 'good governance' there has been the rotation of 'clans' of business-

political interests.

In this two-part article I examine the nature of the colour revolutions and analyse them in their national context and in relation to the international power structure.

I will also compare them with earlier examples of 'people power' and with more recent cases of peaceful mass mobilisation that have played their part in bringing progressive governments to power in Latin America.

Genuine protests in the former socialist countries have been turned into street theatre, orchestrated by liberal republicans in Washington to curb Russian, and, in all likelihood one day, Chinese, influence.

Defining a 'Colour Revolution'

To call these events 'revolutions' debases the meaning of that word. According to my battered Fontana Dictionary of Modern Thought, the term revolution – originally meaning a rotation or turn, as in the Earth's revolution around the Sun – "means any fundamental or complete change in the mode of production, in the political and social system, or in some aspect of social, intellectual, or cultural life". (3)

When we look at the colour revolutions we find that nothing fundamental has occurred. Indeed, they do not even add up to a 'regime change'. In a political context, a regime is a method of government.

Even after the opposition gained power as a result of a colour revolution, the institutions of state remained much the same. The most that can be said for them is that they represent mass mobilisations for pressurising the state institutions to allow the overthrow of one government and the formation of another.

In Table 1 I list some of the recent examples of 'people power' – involving large-scale peaceful demonstrations – and it is clear the 'colour revolutions' are amongst some of the least impressive in terms of the numbers rallied.

For example, soon after the large rally in Beirut, of 25,000 or so, organised to protest the assassination of for-

mer prime minister Rafik Hariri on 14 February 2005 and which precipitated the resignation of the government, considered to hold pro-Syrian leanings, the Islamist Party of God (Hizbollah) mobilised a massive counter demonstration of half a million supporters.

While the so-called Cedar Revolution stimulated the withdrawal of Syrian troops and intelligence officials – blamed by many for the Hariri assassination – no constitutional changes followed and Lebanon remains gripped by political paralysis.

In practice it is not the size of the demonstration that matters. The

activists working for colour revolutions envisage the rallies as one tactic in their strategy to unseat a government; getting the media to cover stories about electoral fraud and political corruption helps to feed popular anger, which adds to the sense of crisis.

Le Monde Diplomatique newspaper relates how a handbook by Gene Sharp, an American pacifist and professor of political science, entitled **From Dictatorship to Democracy: A conceptual framework for liberation** was used by several activist groups formed by students in Central and Eastern Europe. (4)

“Otpor” (Resistance) [a Belgrade-based outfit] set the example [in 2000]. Georgian activists contacted the movement as the parliamentary elections of November 2003 approached.

Workshops were set up in Georgia, as they were again a year later in Ukraine, with the additional participation of Kmara (Enough), the Georgian student movement, side by side with US coaches. Once fraud had been proved [by international election observers], the opposition could move.

In Kiev in 2004 another student movement, Pora (It’s Time), prepared the ground and set up tent villages on the main street. Otpor’s activities in Ukraine were financed by Freedom House, the US NGO headed by James Woolsey, a former CIA chief who made his presence felt in Serbia as early as 2000.

The organisation wouldn’t reveal much about its relations with Otpor but one official, visiting Ukraine, said: “Freedom House is not here to change political regimes. That is up to citizens. We provide the resources for voters to understand that their vote counts and that they can overcome their fear of the existing regime”.

The same policy guides the Open Society Institute [set up by the billionaire George Soros] ... [and which] was involved in organising Otpor workshops [in Georgia as well]. (5)

Le Monde Diplomatique goes on to assert that “these methods, based on an intense media campaign, the mobilisation of civil society and support from such organisations as the [US] National Endowment for Democracy, were also used in Venezuela, but there they served to justify the coup of 11 April 2002 and the attempt at economic destabilisation in December 2002-January 2003.” Similar tactics were deployed in advance of the coup d’état that deposed the Chilean Popular Front government in 1973.

The Goals of Regime Change

The US Government makes little secret of its desire to encourage regime change. The opening words of the National Security Strategy (published in March 2006) state that “it is the policy of the United States to seek and support democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world. In the world today, the fundamental character of regimes matters as much as the distribution of power among them.”

The Strategy further acknowledges that “the goal of ... [helping] to create

Table 1: Examples of Recent Mass Mobilisations

EVENT	PLACE	DATE	PEAK NUMBERS
Anti-Marcos demonstrations /EDSA (People Power I)	Manila Philippines	Feb 1986	2,000,000
Montagsdemo (Monday Demonstrations)	Leipzig Germany	Nov 1989	400,000
November Events (The Velvet Revolution)	Prague Czechoslovakia	Nov 1989	750,000
Anti-Mahaud demonstrations	Quito Ecuador	Jan 2000	50,000
Anti-Milošević demonstration	Belgrade Yugoslavia	Oct 2000	500,000
Anti-Estrada demonstrations	Manila Philippines	Jan 2001	700,000
Blockades for gas industry nationalisation. General Strike.	La Paz Bolivia	Sept/Oct 2003	50,000
Rose Revolution	Tbilisi Georgia	Nov 2003	100,000
Orange Revolution	Kiev Ukraine	Nov/Dec 2004	500,000
Tulip (or Pink) Revolution	Bishkek Kyrgyzstan	Mar 2005	30,000
Cedar Revolution	Beirut Lebanon	Mar 2005	25,000
Anti-Gutiérrez demonstrations	Quito Ecuador	Apr 2005	10,000
Demonstrations against high fuel prices. Anti-Mesa demonstration.	La Paz Bolivia	Jan/Jan 2005	500,000
Anti-Shinawatra demonstrations	Bangkok Thailand	Mar/Apr 2006	130,000
Anti-royalist demonstrations	Kathmandu Nepal	Apr 2006	100,000
Saffron Revolution (unsuccessful)	Rangoon Burma	Sept 2007	100,000
Pro-Ter-Petrosyan demonstrations (unsuccessful)	Yerevan Armenia	Feb 2008	50,000
Blue or Denim Revolution? (Planned but not yet executed)	Minsk Belarus	?	?

Source: Press reports – note that accurate head counts are not available

a world of democratic, well-governed states that can meet the needs of their citizens and conduct themselves responsibly in the international system" will be "the work of generations".

This language harks back to the American Revolution. In his introduction to the strategy George Bush asserts that the ideals of the American Revolution – freedom, democracy, and human dignity – are increasingly inspiring individuals and nations to form an international community of free nations.

The Bush Administration sees its task as "working to end tyranny, to promote effective democracies, and to extend prosperity through free and fair trade and wise development policies".(6)

By contrasting freedom and tyranny, George Bush is employing the historic language of republicanism, which envisages a regime of government that protects individual liberty to own property and conduct business.

Liberal republican political theorists have long worried that democracy can lead to the tyranny of the majority; a danger almost as great as that posed by an absolute monarch or a dictator. For this reason, Washington is most comfortable with countries that couple respect for individual liberty and the rule of law with free market capitalism and sees its own security through this lens.

From its perspective, the USA's security is safeguarded by three rings of other nations. In the first circle are its neighbours, who are allied to the US through the 1947 Rio Treaty (7), and, Washington hopes, by the Free Trade Area of the Americas.

Then there are the USA's other treaty allies, notably from the Transatlantic Alliance of NATO (1949), but also from Asia (Philippines, South Korea, Japan, Thailand, and Pakistan) and Oceania (Australia and New Zealand). (8). The outermost ring comprises the USA's potential strategic partners (though this term is not used specifically).

Both the USA and the EU recognise a number of strategic partners, in particular the other existing or potential permanent members of the UN Security Council, including Russia, China and India.

Although Washington says it wants to engage and cooperate to mutual benefit with Russia and China, it is evident that these countries are also seen as rivals, and sometimes, in a patronising phrase, as badly behaved! (9)

There thus exists a clear contradiction in policy whereby Russia and

China are treated both as long-term partners in tackling global problems and at the same time as rivals, whose influence must be countered by destabilising their internal politics.

Within the second ring of US allies, most countries have parliamentary government with power alternating between two party machines, as is the case in America. This offers voters a limited choice: in the USA it is between, let us say, Coke and Pepsi; in the UK it is between Pepsi and Fanta; in France, Germany, Spain, and, lately, Italy, between Pepsi and, maybe, Starbucks coffee.



There is perhaps more choice in continental Europe, where social democratic parties offer a platform that is a bit more radical than that of US Democrats or New Labour. But while the faces in government rotate, the political system is stable.

In Japan, one party has dominated post-War politics, but the faces change as different factions vie for popular backing – we might call this the Pepsi Max choice.

To a large extent politics works as a system of patronage that provides positions for party supporters and benefits to its voters. A party machine must deliver economic gains, development and welfare to its constituency in order to be returned: this is described as "pork barrel politics" in the US, but is practiced far more widely, especially in parliamentary democracies. (Clearly there are additional ways to appeal to voters, such as by promising more competent government or by bringing fresh ideas to address new problems.)

Furthermore, party machines also control public appointments. So although there is nominally a separation of powers between the executive, the legislature and the courts, in practice the same elite retain power.

Pork-barrel politics offer an incentive to swing voters to change allegiance to secure a better deal for themselves, and, combined with the two party machines, each having the proven capability to

deliver on promises, engenders a stable political regime.

Conversely, the stability breaks down when governments don't deliver the goods; and this, in my view, is a key driver of the colour revolutions that have occurred in the former socialist countries.

Cold Peace

To be sure, there is a clear geopolitical agenda at work too. The Economist magazine has for example cheered the "vibrant hues [that] brought down bad rulers". In the cases of Georgia, Ukraine and Kyrgyzstan, in January 2008, The Economist commented that "street protest prevailed against post-Soviet misrule", and hoped these would be repeated in Moscow, where it reported there is "an undercurrent of fear".

Interestingly only a few months earlier the magazine denounced the forced resignation of President Carlos Mesa of Bolivia less than two years into his term of office as representing "mob rule, not people power". (10)

It seemingly ignored the fact that in the Georgian Rose Revolution, President Eduard Shevardnadze was similarly persuaded to resign well before his term ended. In any case, no clearer call for an anti-Putin revolt can be made.

The advocates of colour revolutions have Russia, and probably China too, in their sights, as can be seen from a recent Financial Times opinion piece by columnist Martin Wolf claiming that "Putin's rule threatens both Russia and the West".

Amongst other pithy phrases, he asserted that "Russia has chosen the statecraft of fear over the promise of freedom" whereby Russia has been turned away from the road to "a law-governed state towards autocracy".

He concluded by hoping that "a vibrant and self-confident Russian democracy [will be able] to take its place in the world of western values" one day, presumably as the result of a colour revolution. (11)

Until that happens a Cold Peace has replaced the Cold War.

It is hardly a surprise that Washington is using the same destabilisation tactics against Russia and China as were deployed, in its view successfully, during the Cold War.

These tactics have now been used extensively in a wide range of countries. The US think tank Freedom House, founded by Eleanor Roosevelt in 1941, summarised an analysis of the overthrow of "67 dictatorships" thus:

"[What is needed is] a broad-based, non-violent civic resistance – which employs tactics such as boycotts, mass protests, blockades, strikes and civil disobedience to de-legitimate authoritarian rulers and erode their sources of support, including the loyalty of armed defenders". (12)

In the 1980s, Washington encouraged the development of an autonomous civil society to confront the leading role of the communist party in the Socialist Bloc. The rationale behind this tactic was conceived by a current of Leftist thinking which characterised the socialist countries as 'totalitarian'.

In Hungary, for instance, the 'Budapest School' of political philosophy – pupils and collaborators of György Lukács, such as Ágnes Heller – sought to bring about political change by challenging the principle of a unified society. Ágnes Heller, who is today the Hannah Arendt Professor of Philosophy and Political Science in New York, elaborated this analysis in a book later published under the title **Eastern Left, Western Left: Totalitarianism, Freedom and Democracy**. (13)

The success of Solidarnosc in Poland led to the formulation of a strategy based on the idea that a new balance with the state could be created from

within the sphere of civil society.

Rather than directly questioning communist political domination, it sought to strengthen the intermediate associations so that society could become more autonomous from political power.

This was the essence of what Adam Michnik labelled the 'new evolutionism' in Poland, the ideas of the Danube Circle in Hungary in 1984 and the 'social contract' proposed there by the clandestine journal *Beszélő* in 1987. In Hungary, Poland, and the USSR, these ideas proved quite attractive to the reformist communists who were confronted by a deepening economic crisis". (14)

The CIA had used the tools of protest politics in the past, of course, in Chile in 1973, but the civil society slant entailed something new. The importance of building up a base of pro-Western NGOs is that they then become a reservoir of alternative leaders who can be put forward in a political crisis to form another government.

Thus, in Latin America Washington has encouraged destabilisation to engender a sense of crisis and justify a military take-over. In the former socialist countries the idea has been to destabilise and bring to power pro-western leaders from non-governmental organisations.

Washington, with London in its wake, has its sights on the remaining 'autocrats', whom they view as leftovers from the Cold War epoch: Lukashenko in Belarus, Mugabe in Zimbabwe, Castro in Cuba, the generals of Burma, perhaps Putin in Russia, and probably the CPC in China.

In this regard, we should note carefully the reference in the US National Security Strategy to supporting democratic movements from "cultures", as distinct from nation states.

This may be code for Tibet and the break-up of China; and we have already witnessed Washington's new found readiness to support secessionists in Kosovo. All this is in a sense the unfinished business of confronting the Socialist Bloc, and is framed in the republican rhetoric of promoting democracy over tyranny.

But the underlying aim appears to be the weakening of Russia and China and encircle them with states allied to the USA. The backing given by David Miliband for the Cold Peace policy of destabilisation undermines the prospect of establishing the genuine strategic partnerships that the government says it wants in order to tackle planet-wide problems such as climate change or international criminal networks.

(To be continued in our next issue.)

FOOTNOTES

1. The Aung San Suu Kyi Lecture given at Oxford University on 12 February 2008 and quoted in the Financial Times on 13 February 2008.

2. Speech on 12 February 2004 to the Royal Institute of International Affairs, London.

3. Alan Bullock and Oliver Stallybrass, 1977, *The Fontana Dictionary of Modern Thought*, London: Fontana Books, p. 542.

4. Gene Sharp, 1993/2003, *From Dictatorship to Democracy: A conceptual framework for liberation*, Boston, Massachusetts: The Albert Einstein Institution.

5. Régis Genté and Laurant Rouy, *Ukraine: the practice of protest*, *Le Monde diplomatique*, January 2005.

6. Introduction to the National Security Strategy of the United States of America, March 2006, downloaded from <www.state.gov>

7. The Inter-American Treaty of Reciprocal Assistance.

8. The USA signed treaties with the Philippines in 1951, with Australia and New Zealand in 1952 and with South Korea and Japan in 1954. The 1954 Southeast Asia Treaty Organisation comprised Thailand, Philippines, Australia, New Zealand, Pakistan, France and the UK and was intended to stem communist advance in Southeast Asia. In 1955 the USA established the Central Treaty Organisation (CENTO) with Iraq, Iran, Turkey, Pakistan and the UK.

9. The US State Department's Strategic Plan for 2007 to 2012 states that "we will engage with Russia where we can do so productively, while continuing to stand firm – with the support of our European and other allies – for the values of democracy, human rights, and freedom, and to push back on negative Russian behaviour" (p.49).

10. See *The Economist*, 18 June 2005 and 12 January 2008.

11. Martin Wolf, *Why Putin's rule threatens*

both Russia and the west, *Financial Times*, 18 February 2008.

12. Quoted in *The Economist*, 21 January 2006, p. 27.

13. Ferenc Feher and Ágnes Heller, 1987, *Eastern Left, Western Left: Totalitarianism, Freedom and Democracy*, Atlantic Highlands, New Jersey: Humanitarian Press. Heller was twice expelled from the Hungarian Workers' Party, in 1949 and in 1958, and was by a 1973 Party resolution declared as hostile to Marxism-Leninism and fired from her research position at the Institute of Sociology under the Hungarian Academy of Sciences. Hannah Arendt was also a noted critic of the socialist countries' political systems, for instance in her 1951 book on *The Origins of Totalitarianism*.

14. José María Maravall, 1997, *Regimes, Politics, and Markets: Democratization and Economic Change in Southern and Eastern Europe*, Oxford: Oxford University Press: p. 213.

Nuclear renaissance getting underway

Continued from page 13

that this seriously contradicts that Government's pro-renewables policy. So Scotland, as long as the SNP is in

Government, will miss out on the UK's nuclear renaissance.

Meanwhile, across the border, English and Welsh nuclear workers are looking with optimism at the long term

prospects for their industry.

The challenge facing them and their trades unions is no longer to keep their industry alive but to ensure that nuclear workers and their communities benefit substantially from the nuclear renaissance that is now well under way.

1858: British Commerce and Finance

During his period in London (1848-1883) Karl Marx, among many other things, was a correspondent for the New York Tribune newspaper. In his many articles for that paper (1) he cast a brilliant light on the woes and workings of capitalism.

Below we reproduce his article on the Commerce and Finance Crisis of 1857-58.

**KARL MARX:
British Commerce and Finance.
New York Tribune, December 15th, 1858.**

In reviewing the Report on the Crisis of 1857-58 of the Committee appointed by the House of Commons, we have, first, shown the ruinous tendencies of Sir Robert Peel's (pictured below) Bank Act, and, secondly, done away with the false notion, attributing to banks of issue the power of affecting general



prices by an arbitrary expansion or contraction of the paper currency.

We arrive, then, at the question, What were the real causes of the crisis? The Committee state that they have established "to their satisfaction, that the recent commercial crisis in this country, as well as in America and in the North of Europe, was mainly owing

to excessive speculation and abuse of credit."

The value of this solution is certainly not in the least impaired by the circumstance that, to find it out, the world have not waited upon the Parliamentary Committee, and that all the profit society may possibly derive from the revelation must at this time be fully discounted.

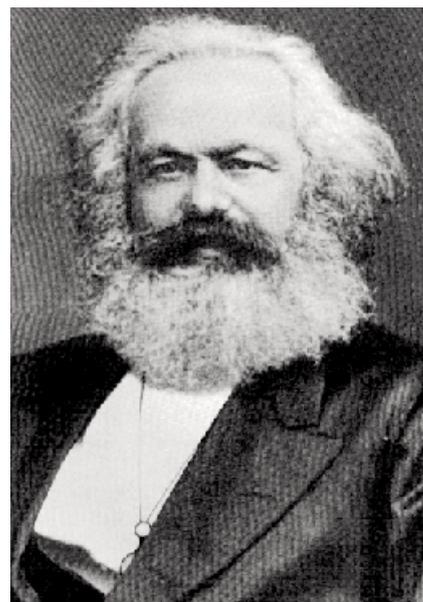
Granted the truth of the proposition - and we are far from contesting it - does it solve the social problem, or does it but change the terms of the question? For a system of fictitious credit to spring up, two parties are always requisite - borrowers and lenders.

That the former party should at all times be eager at trading upon the other people's capital, and endeavour to enrich themselves at other people's risk, seems so exceedingly simple a tendency that the opposite one would bewilder our understanding.

The question is rather how it happens that, among all modern industrial nations, people are caught, as it were, by a periodical fit of parting with their property upon the most transparent delusions, and in spite of tremendous warnings repeated in decennial intervals.

What are the social circumstances reproducing, almost regularly, these seasons of general self-delusion, of over-speculation and fictitious credit? If they were once traced out, we should arrive at a very plain alternative.

Either they may be controlled by



society, or they are inherent in the present system of production. In the first case, society may avert crisis; in the second, so long as the system lasts, they must be borne with, like the natural changes of the seasons.

We consider this to be the essential defect not only of the recent Parliamentary Report, but of the "Report on the Commercial Distress of 1847,"! and all the other similar reports which preceded them - that they treat every new crisis as an insulated phenomenon, appearing for the first time on the social horizon, and, therefore, to be accounted for by incidents, movements and agencies altogether peculiar, or presumed to be peculiar, to the one period just elapsed between the penultimate and the ultimate revulsion.

If natural philosophers had proceeded by the same puerile method, the world would be taken by surprise on the reappearance even of a comet.

In the attempt at laying bare the laws by which crises of the market of the world are governed, not only their periodical character, but the exact dates of that periodicity must be accounted for.

The distinctive features, moreover, peculiar to every new commercial crisis, must not be allowed to overshadow the aspects common to all of them. We should overstep the limits and the purpose of our present task, were we even to give the faintest outline of such an inquiry.

This much seems undisputed, that the Commons' Committee, so far from solving the question, has not even put it in its adequate terms.

The facts dwelt upon by the Committee, with a view to illustrate the system of fictitious credit, lack, of course, the interest of novelty.

The system itself was in England carried on by a very simple machinery. The fictitious credit was created through the means of accommodation bills. The latter were discounted principally by joint-stock country banks, which rediscounted them with the London bill brokers.

The London bill brokers, looking only to the indorsement of the Bank, not to the bills themselves, in their turn relied not upon their own reserves, but upon the facilities afforded to them by the Bank of England.

The principles of the London bill brokers may be understood from the following anecdote, related to the Committee by Mr Dixon, the late Manager Director of the Liverpool Borough Bank:

“In incidental conversation about the whole affair, one of the bill brokers made the remark that if it had not been for Sir Robert Peel’s act, the Borough Bank need not have suspended.

In reply to that, I said that whatever might be the merits of Sir Robert Peel’s act, for my own part I would not have been willing to lift a finger to assist the Borough Bank through its difficulties, if the so doing had involved the continuance of such a wretched system of business as had been practiced, and I said if I had only known half as much of the proceedings of the Borough Bank before I became a Managing Director, as you must have known, by seeing a great many of the bills of the Borough Bank discounted, you would never have caught me being a stockholder. The rejoinder to which was: “Nor would you have caught me being a stockholder; it was very well for me to discount the bills, but I would not have been a shareholder either.”

The Borough Bank in Liverpool, the Western Bank of Scotland, in Glasgow, the Northumberland and Durham District Bank, into the operations of which three banks the Committee instituted the strictest inquiry, seem to have carried the palm in the race of mismanagement.

The Western Bank in Glasgow, which had 101 branches throughout Scotland and connections in America, allowed to draw upon it for the mere sake of the commission, raised its dividend in 1845 from 7 to 8 per cent, in 1856 from 8 to 9 per cent, and declared a dividend of 9 per cent, still in June, 1857, when the greater part of its capital was gone.

Its discounts which in 1853 were £14,987,000 had been increased in 1857 to £20,691,000. The rediscounts of the bank in London, amounting in 1852 to £407,000, had risen in 1856 to £5,407,000.

The whole capital of the bank being but £1,500,000, the sum of £1,603,000 appeared on its failure, in November 1857, to be owed to it by the four installment houses alone of McDonald, Monteith, Wallace and Pattison.

“... ‘the recent commercial crisis in this country, as well as in America and in the North of Europe, was mainly owing to excessive speculation and abuse of credit.’ ... What are the social circumstances reproducing, almost regularly, these seasons of general self-delusion, of over-speculation and fictitious credit? If they were once traced out, we should arrive at a very plain alternative. Either they may be controlled by society, or they are inherent in the present system of production. In the first case, society may avert crises; in the second, so long as the system lasts, they must be borne with, like the natural changes of the season.”

KARL MARX - December 1858.

One of the principal operations of the bank consisted in making advances upon “interests,” that is to say, manufacturers were provided with capital, the security for which consisted in the eventual sale of the produce to be created through the means of the loan advanced.

The levity with which the discount business was managed, appears from the circumstance that McDonald’s bills were accepted by 127 different parties; only 37 being inquired about, the report on 21 of which turned out unsatisfactory or positively bad.

Still McDonald’s credit continued undiminished. Since 1848, a substitution was made in the books of the bank, by which debts were turned into credits, and losses into assets.

“The modes,” says the Report,

“in which this kind of disguise can be accomplished, will perhaps be best understood by stating the manner in which a debt called Scarth’s debt, comprised in a different branch of the assets, was disposed of. That debt amounted to £120,000, and it ought to have appeared among the protested bills.

It was, however, divided into four or five open credit accounts,

bearing the names of the acceptors of Scarth’s bill.

These accounts were debited with the amount of their respective acceptances, and insurances were effected on the lives of the debtors to the extent of £75,000. On these insurances, £33,000 have been paid as premiums by the bank itself. These now all stand as assets in the books.”

Lastly, on examination it was found that £988,000 were due to the bank from its own shareholders.

The whole capital of the Northumberland and Durham District Bank amounting to £600,000 only, nearly £1,000,000 were loaned by it to the insolvent Derwent Iron Company.

Mr Jonathan Richardson, who was the moving spring of the Bank, in fact the person who managed everything, was, although no direct partner in the Derwent Iron

Company, very largely interested in that unpromising concern, as holding royalties upon the minerals which they worked.

This case presents, therefore, the peculiar feature of the whole capital of a joint-stock bank being eaten up with the single view to improving the private speculations of one of its managing directors.

These two samples of the revelations contained in the Committee’s report reflect a rather dismal light on the morality and general conduct of joint-stock trading concerns.

It is evident that those establishments, the rapidly growing influence of which on the economy of nations can hardly be overvalued, are still far from having worked out their proper constitution.

Powerful engines in developing the productive powers of modern society, they have not, like the medieval corporations, as yet created a corporate conscience in lieu of individual responsibility which, by dint of their very organisation, they have contrived to get rid of.

FOOTNOTES:

(1) Karl Marx - Dispatches for the New York Tribune: Selected Journalism of Karl Marx. Penguin Classics, 2007.

READER'S LETTER to The Socialist Correspondent

NOT ONLY CORRUPTING THE WORKING CLASS

With reference to some of the points raised in Helen Christopher's article in your first issue, relating to the corruption of the working class, especially through the sale of council houses under Thatcher.

This phenomenon ought not to be seen solely in terms of its corrupting influence on the consciousness of the working class, or having been intended only for that purpose. Rather, it was the surface manifestation of underlying processes relating to the movement of finance capital.

Capital is constantly in motion, seeking new spheres from which it can draw profit. If some channels become narrow or blocked, it will even carve out new ones. The policy of selling off council houses was intended to create just such a new channel, by bringing a significant part of the working class into the "mortgage market" for the first time, allowing profit to be drawn on capital that might otherwise have lain idle (and, therefore, properly speaking, ceased to be capital at all, even if only temporarily).

Before and since, the easing of restrictions on the availability of consumer credit has had a similar function. A more recent example of this is the development of the "sub-prime" mortgage market in the USA. In this country, mortgage lenders eased the long-standing tight linkage between income and the amount lent (three times a single annual income, and so on), and offered 100% (and greater) mortgages, effectively creating a similar market. That practice seems (at the time of writing) to have ended: the Nationwide Building Society is now demanding 25% deposits.

And that brings us back to the beginning: once again, the government has stepped in to assist the financiers, under the guise of "assisting" first-time buyers among key public-sector workers. They are to be offered a package deal involving a commercial mortgage for half the house-price, while paying the rest as rent (at interest). The financiers will still be able to profit from capital they might otherwise have withdrawn from the market.

Leslie Masters

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