



Main Political Report

FRSO Fifth Congress, 2007

International Situation

Introduction

Since 2004, the international situation has continued to develop in a way that is extremely favorable for the world's peoples to make gains. In fact, the imperialist centers have been dealt heavy setbacks. On a general level we can say that the four basic contradictions are sharpening—between imperialism and the peoples of the oppressed nations, between the imperialist powers, between the working class and the capitalists, and between socialism and capitalism—and that this intensification of the basic contradictions exists in the context of the long-term decline of U.S. imperialism. [\(1\)](#)

The principal contradiction in the world today is between the peoples of the third world [\(2\)](#) and imperialism. The U.S. is the preeminent imperialist power in the world today and as such it is the main danger to the world's peoples.

While these general trends are longstanding, it is in fact the particular and concrete manifestations of these contradictions that we need to grasp in order to determine our strategy and tactics for the period ahead. To be specific, the U.S. led “war on terror,” which in fact is a war to maintain and expand its empire, is facing a defeat of historic proportions as the movements for national liberation rapidly expand, particularly in the Middle East and Latin America. [\(3\)](#)

The implications of this are profound; we are entering a new phase in the overall decline of U.S. imperialism. To give a brief historical overview: the setbacks in the Soviet Union and Eastern Europe, as well as the confusion and collapse of number of important organizations in the national liberation movements, created a situation in the early 1990s where the U.S. appeared more powerful than it in fact was. This situation also gave rise to a certain amount of pessimism among progressive and revolutionary forces.

Things have changed qualitatively. In Asia, Latin America, Africa and the Middle East, national democratic movements are picking up steam. There has been a steady growth of the Marxist-Leninist movement on a world scale. The socialist countries have survived a period of great challenges. It is now a possibility that the roster of countries where the working class holds political power will grow.

We believe in working class internationalism and take to heart the dictum “working and oppressed peoples of the world unite.” Because the U.S. ruling class exploits and oppresses us here at home, we share a common enemy with all who live under, or are threatened by, Wall Street’s empire. Any victory by those who are resisting the empire is a positive development for people of the U.S. and brings us closer to our day of emancipation.

Bush Wages War on World

The events of September 11, 2001, served as a pretext to launch a new drive for world domination. While this has been a central objective of U.S. imperialism since the end of WWII, compared to the previous 25 years of U.S. intervention abroad, the offensive launched after September 11 represented something new in terms of its scope and intensity.

Since the end of the war on Vietnam, Kampuchea, and Laos in 1975, U.S. imperialists have made every effort to avoid large-scale direct military occupations. They opted to have others fight their battles and relied on air power, including cruise missile attacks, to create an overwhelming force against a much weaker opponent.

After the Cold War, the Pentagon launched a “transformation process,” where military planners aimed for the ability to bring the hammer down anywhere, using the advantages of mobility, advanced technology, intelligence, and highly trained troops. They did not practically plan for big wars that involved U.S. troops on the ground, for long periods of time, subduing entire peoples. [\(4\)](#)

The current imperialist offensive is also distinguished by its attempt to criminalize the national liberation movements and the countries which have retained their independence from imperialism. [\(5\)](#)

The continuing occupations of Afghanistan and Iraq represent an important qualitative shift in imperialist strategy. As we stated in the 2004 Main Political Report:

“The overall problem the U.S. faces is that it is attempting to use force to expand and consolidate its empire at a juncture in history when conditions for success are growing less favorable. In the Third World the U.S. is unable to handle even one Iraq, much less 2, 3 or many. Coupled with rising inter-imperialist rivalry and growing economic instability on a world scale, Washington will find that those who dream of empire will wake up living a nightmare.”

The U.S. attack on Afghanistan confused many. Progressive forces should understand the resistance to occupation in Afghanistan is the just struggle for national independence on the part of the Afghan people.

Bush proclaimed the imperialist offensive to be a “war on terror.” In fact it is a war of terror against the world’s peoples. At the time of its declaration, this war represented the leading edge of reaction, in a context where the ruling class as whole was growing more reactionary and dangerous. The setbacks that Washington has met with in Iraq have been central to breaking that right-wing motion.

Iraq

The battle between the Iraqi resistance and U.S. imperialism is the key front in the contradiction between the peoples of the Third World and imperialism.

U.S. imperialism is facing defeat in Iraq. The Iraq resistance has made it impossible for the U.S. to establish a stable puppet government, and the occupiers themselves are unable to effectively govern the country. While the U.S. government and their British accomplices have not yet been defeated, their position will certainly not improve over time. In the words of Mao, they have lifted a rock only to drop it on their own feet.

The Iraqi people hate the occupation and are waging a war of resistance to bring it to an end. We do not agree with those who say the main thing going on in Iraq is a sectarian “civil war.” This serves to obscure the national democratic content of the movement to resist the occupation in Iraq. We view the resistance as a patriotic movement that includes a variety of forces to fight for national liberation and freedom from foreign occupation.

The occupation is crumbling. To maintain what little hold they have, the imperialists will undoubtedly escalate the war on Iraq. In the long term, these efforts will be in vain. The U.S. will be forced to leave Iraq in defeat. The longer the occupation continues, the greater that defeat will be.

The significance of this unfolding defeat cannot be overstated. It is now the largest single issue in domestic politics, and in the international context it has greatly weakened the ability of the U.S. to intervene militarily against other countries. It is inspiring progressive and revolutionary forces around the world. The longer the occupation continues, the greater the danger to U.S. puppet regimes across the Middle East—regimes that are hated by the peoples they rule over.

Imperialist Rivals

U.S. imperialism is contending with another empire centered in Europe. Talk in Washington of an “old Europe” means that the U.S. is contending with a new Europe. The expanding economic integration of the European Union, particularly in the form of a common monetary policy (the European Central Bank) and a currency union (the Euro) signify a march towards a “United States of Europe.” While it is impossible to say how the unitary political institutions of Europe will develop, at this time it is possible to identify several factors that will accelerate or pull back the tendency towards a united Europe, as well as some likely near term developments.

Externally, policies undertaken by the United States will be the principal factor governing European integration. Particularly in the spheres of politics and military policy, it can be said that the more unilateral the actions of the U.S., the greater the push will be for European unity.

Internally, there are the issues that unite the European rulers, like the rise of a common currency, which opens the road to there being second world currency with Europe emerging as a greater center of world capital flows. That said, there are conditions that could well undermine European integration, such as economic crises and the limits the European Union has placed on deficit spending.

There is also the issue of Anglo imperialism, which essentially has an inside/outside strategy towards the rest of Europe. For the moment, British imperialism has attached itself to the United States, but as a member of the E.U. it has a say in the political policies of the E.U. council and a voice in European military affairs.

In terms of practical results to expect in the next period, there will be sharp divisions over foreign policy, especially in regards to the Middle East. NATO will be less important – although the U.S. will try to maintain it as a means, in part, to curb the development of an independent European military power, and because it serves as a vehicle for collusion, as is now taking place in Afghanistan.

The divisions will also sharpen in a host of multilateral institutions, such as the World Trade Organization and the United Nations.

While the contradiction between the U.S. and Europe has its own dynamics, at its core is a struggle of rivals to re-divide the world for their respective benefit. Given the setbacks the U.S. has met with in the Middle East and elsewhere, we can expect that those in the U.S. ruling class who favor a more “multi-lateral” approach of “let’s get together and share the spoils” will make their voices heard.

There is another important imperialist center – Japan. Playing a role similar to Britain, it has for the time being attached itself to U.S. imperialism. In part, this is due to relative economic weakness. There are also some shared strategic objectives with the U.S. such as weakening China and destroying socialist Korea.

Common Trends in Imperialist Countries

In the imperialist centers, there are a number of common trends. The monopoly bourgeoisie continues to exploit and oppress Third World countries. Tied to this are attacks on immigrants and immigrants’ rights within the imperialist countries, while neo-fascist political groups and movements have mushroomed to become a menacing force against oppressed nationalities.

Governments are busy slashing their social safety nets, while increasing funding for police and spending exorbitant amounts on the military. Even Japan is building up its small military.

In the imperialist countries, big business is moving away from the policy of purchasing social peace. Corporations are downsizing and laying-off workers, relocating to the Third World, imposing impossible conditions on workers and trying to bust unions. None of this is without resistance. The international working class is reawakening and again feeling its strength. For those willing to grasp them, opportunities exist to push struggle to higher levels.

The Former Soviet Union

For the people of the former Soviet Union, the collapse of socialism has been a disaster. Gorbachev opened the door not to “reformed socialism,” but to plunder by native gangsters and their foreign sponsors. Mobsters and parasites wield the political and economic power. The collective wealth produced by the Soviet people was stolen in the largest privatization in history. The result: nothing but misery for workers and farmers. Millions of workers go unpaid, lost their pensions and have been robbed of their life savings. Throughout the former Soviet Union, life expectancy is declining.

The destruction of the USSR paved the way for a great scramble among the imperialists to loot the land, labor and resources of one-sixth of the globe. Of particular importance are moves to seize energy resources in the Caspian basin and central Asia.

The results of the counter-revolution in the Soviet Union, as well as the socialist countries of Eastern Europe, such as Albania, Poland and Yugoslavia, are vivid examples of a simple truth -- capitalism is a failed system that cannot meet the political, economic or social aspirations of the vast majority of people.

The construction of a Marxist-Leninist movement and new Communist Parties that fight for the re-establishment of the USSR is an extremely positive development. In the face of heavy repression, they are standing firm in the struggle for socialism. We owe them our support and solidarity.

The Third World

Imperialism means national oppression. Third world countries face famine, poverty, war, epidemics, environmental destruction, restructuring, and dismantlement. On a world scale, the main form of national oppression today is neocolonialism. Recognizing this fact, it should be stated that one of the particular features of the current offensive of U.S. imperialism has been the reversion to the earlier form of direct colonial rule in Afghanistan and Iraq.

Objectively, the countries of the third world are at the center of the revolutionary process.

Africa

Africa is the poorest continent. It was conquered, divided, and stripped of great amounts of its natural resources by imperialism. Now Africa faces an AIDS crisis affecting tens of millions, while Western drug corporations plot how to make more profits. In past decades, Africans waged many victorious national liberation struggles. Unfortunately, comprador forces allied with neocolonialism seized power in a number of countries, thus reaping the fruit of many of these heroic struggles.

With the aim of grabbing resources, land and labor of the African peoples, the United States is utilizing domestic proxies, direct intervention, regional "security" agreements and military assistance programs. About 15% of the oil coming to the U.S. is from sub-Saharan Africa. This amount could well go up another 10% over the next decade, particularly as more fields producing low-sulfur oil are opened up. Africa has huge mineral reserves, including copper, bauxite, and uranium. The U.S. is moving to strengthen its control of key shipping and communications lines -- for example those that pass by the Horn of Africa.

In 2007, the United States formed a military command to focus on Africa. Along with its proxy, Ethiopia, a war is being waged on the people of Somalia. We support the patriotic people of Somalia who are fighting to end the U.S.-sponsored occupation of their homeland.

Sudan is another target of U.S. intervention, where Washington is interfering in the internal affairs of that country, and cynically using the turbulence in the Darfur region to weaken a government it opposes.

Nearly every region of the continent has been ravaged by war. In general, the basis for these conflicts can be found in the legacy of colonialism, and the ongoing maneuvers of the western powers, especially the U.S., France and Britain. We are opposed to western military intervention under any guise, including that of “peace keeping.”

Asia

Asia is a focal point of the four major contradictions in the world. Thus, of anywhere in the world, Marxism is the most alive in Asia today. There are more communists here than in the rest of the world combined. There are huge mass movements of communists in India and Bangladesh numbering in the tens of millions.

In the Philippines, the Communist Party of the Philippines holds substantial liberated areas and is leading the masses of people in a national democratic revolution with a socialist orientation. Locked in a direct confrontation with the U.S. and its puppets, advances in the revolutionary process here are of real importance for Asia as a whole. The Philippines were the first big base of operations for the U.S. empire in Asia, the point from where the U.S. projected its power. Victories won by the revolutionary movement in the Philippines affect the balance of forces in the region as a whole.

The people’s war in Nepal has brought the struggle of the Nepalese people to a new plane. There are also more socialist countries in Asia than anywhere else. China, Vietnam, Korea all espouse Marxism-Leninism and see themselves on the road to communism. Taken as whole, Asia is a weak link in the chain of imperialism.

Note should be made of U.S. efforts to provoke a second Korean war. While the strength of the Democratic Peoples Republic of Korea and the patriotic movements in the south of the peninsula constrain the U.S., ongoing provocations, such as the fabrication of a “nuclear crisis” and war preparations (troop redeployments, deployment of advanced weapons, agreements with other countries to seize north Korean shipping vessels) constitute serious danger to peace on the Korean Peninsula.

In a similar vein, we understand that when the Pentagon speaks of a “regional competitor” in Asia, it means the People’s Republic of China. We support the efforts of the Chinese people to achieve reunification with the Taiwan province and oppose U.S. efforts to threaten China with “missile defense,” a system of military bases aimed at encirclement and subversion.

Finally, the growing struggle of Afghani people to win national independence and liberate their country from U.S. and NATO control has made real strides forward.

Latin America and the Caribbean

Latin America and the Caribbean have long suffered under the yoke of U.S. imperialism. Since the Monroe Doctrine, U.S. rulers have viewed this region as their own backyard. Neocolonialism is the main form of national oppression in Latin America today, and the U.S. does not hesitate to use political and military means to dominate the peoples of Latin America.

The exploitation and expropriation of wealth is the fundamental objective of imperialism. Economic instruments of imperialism include neocolonial structural adjustment projects, privatization and the

massive debt foisted upon most developing nations and administered by U.S.-dominated multi-lateral financial institutions (WTO/IMF/WB).

In Latin America, the policies of looting and theft are codified in international, bilateral and trilateral free trade agreements like NAFTA, CAFTA, AFTA and others. Agriculture, public health, social services, public education, workers' rights and the environment all come under heavy fire from these agreements. In the end, thousands are left impoverished and unemployed, while U.S. companies laugh all the way to the bank - tax-free. Imperialist domination further impoverishes the peasantry and pushes small farmers off the land.

The contradiction between imperialism and the oppressed nations is intensifying across Latin America, where the great masses of people are unable to live in the old way and the rulers are unable to rule in the old way. Colombia is at the leading edge of this process, where armed revolution is meeting armed counter-revolution on the battlefield. The war in Colombia is of vital importance to the imperialists - around 1,000 U.S current and former military personnel are engaged in combat there. A victory for Colombia's national liberation movement will be an incredible blow to U.S. imperialism.

Moreover, a profound revolutionary process is taking place in the northern cone of South America, which includes the progressive and patriotic government of Hugo Chavez, the powerful movement for land reform in Brazil and the moves to nationalize energy resources in Bolivia. The elections of social-democratic or left-leaning governments in Nicaragua, Ecuador, Argentina, amount to a rejection of the U.S and reflect the dissatisfaction of the masses of people.

Progressive forces in the U.S. have a special responsibility to support the progressive and revolutionary forces in Mexico. The great rebellion at Oaxaca is sign of things to come. The southwest part of the United States--Aztlan--was formerly Northern Mexico. A distinct, Chicano nation has developed in this region, and there is a relationship between what takes place in Mexico and the developments in the Southwest. One indication of this is the inspiration many Chicano youth take from the uprising in Chiapas. Revolutionary struggle in Mexico weakens U.S imperialism, and will contribute to shaping the Chicano national movement (and other movements as well).

Finally, note must be made of socialist Cuba – which is a beacon of liberation to people through out the hemisphere.

Middle East

The peoples of the Middle East are standing up to imperialism, Zionism and reaction of all kinds. Because of the region's strategic importance to western imperialism, developments here can lead to a shift in the balance of forces on a world scale.

The ongoing efforts of the Iraqi national liberation movement to win freedom from the U.S.-led occupation are of vital importance for the Iraqi people, the people of the Middle East and the world's people.

The powerful and determined struggle of the Palestinian people has swept away repeated attempts to impose solutions that come up short of complete liberation. We support the Palestinian people in their fight to regain their homeland, including the right of return, and to create a democratic, secular state in all of historic Palestine with Jerusalem as its capital.

We call for an end to all U.S. aid to Israel. Israel is a creation of U.S. and British imperialism – it is a dagger that the U.S. wields against the Arab peoples. The 2006 defeat of Israel by the Lebanese resistance demonstrated the underlying weakness of the Zionist state and the power of the Arab peoples.

Whatever weakens Israel or U.S. support for Israel strengthens the hand of the people of Palestine, the Arab peoples and ultimately the world's peoples.

Over the past decade, there has been a steady radicalization of the masses of Arab peoples. With a few notable exceptions, the vast majority of governments in the Middle East are western dominated and hated by the people they rule. The protracted uprising in Palestine will further destabilize the puppet governments that are unable and unwilling to confront Israel.

In evaluating the situation in the Middle East, Iran is of increasing importance. U.S. threats of war against Iran must be taken seriously, even as the U.S. military is stretched to its limits in Iraq and Afghanistan. While isolated provocations from the U.S. and its allies will continue. Threats of aggression against Iran won't end so long as the country is a barrier to U.S. imperial objectives in Iraq and the Middle East.

Increasing political, economic and military strength, especially compared to its besieged neighbors, allows Iran to be relatively independent of U.S. domination. We uphold Iran's right to develop its nuclear capacity, against the will of the U.S. Moreover, while the role of Iran in Iraq is complicated, and we cannot support any policies that undermine the unity of the patriotic Iraqi national resistance; nonetheless Iran makes it objectively more difficult for the U.S. to unilaterally control the situation in Iraq and stabilize its illegal occupation.

Should the U.S. widen its war on the people of the Middle East, whether by attacking Iran or any other enemies of imperialism, the U.S. anti-war movement will need to orient itself towards whatever the principle contradiction is at that time, focusing on the battlefield that most strongly serves to weaken U.S. imperialism.

Socialist Countries

China, Cuba, Laos, Vietnam and the Democratic Republic of Korea are countries where the proletariat has established power. These countries are an important factor in the world revolutionary process. Whatever strengths or weakness the respective socialist countries have, we count ourselves in the ranks of those who hold that actual existing socialism is a good thing.

A quick compare and contrast demonstrates that socialism has been extremely positive for the Third World. Those countries that overthrew imperialism and its local servants, established New Democracy, and transitioned to socialism under the leadership of the working class and its Party have improved the lives of their own people and inspired millions more.

For example, Cuba's infant mortality rate is equal to that of the U.S. and ranks far above that of Mexico or El Salvador. In Democratic Korea, 100% of people have access to safe drinking water while in Burma only 68% do. On issues of equality, health care, education, culture, housing, and food the people of the socialist countries fare better.

In the cases of Korea and Vietnam, the mass destruction of U.S. wars attempted to send those nations “back to the Stone Age.” However, due to the victories against U.S. imperialism, they have fared well compared with similar Asian nations.

However, socialist countries also face major contradictions, from external and internal sources, including those stemming from market reforms and the opening of the economies to the world market. In spite of this, the socialist countries have demonstrated in practice the bright future in store for humanity.

Endnotes

(1) In the 2004 Main Political Report it is noted, “Since the early 1970’s U.S. imperialism has been in a period of relative decline. The rise of the national liberation movements, the strengthening of other imperialist powers in Japan and Europe, the breakup of the financial arrangements reached at Breton Woods and the defeat in Vietnam, represented the early end of what some publicists for the bourgeois, promised would be the ‘American Century.’”

(2) The third world is a reference to the countries that are not at the stage of monopoly capitalism and that are oppressed by imperialism. Their economies are dominated by one or the other imperialist centers and semi-feudal relations of production tend to predominate in their rural areas.

(3) The national liberation movements are also advancing in Asia and Africa. Latin America and the Middle East are singled out because of the size and scope of the challenge to U.S. imperialism, and the impact on our practical work.

(4) The general U.S approach to fighting insurgencies in Third World was (and in some cases still is) to deploy military advisors and armaments, while using local puppets, death squads and counterrevolutionary gangs to do the bulk of the fighting.

(5) In our 2004 Main Political Report we noted: “Standing reality on its head, the war criminals in the White House and the Pentagon are intensifying their campaign to criminalize the national liberation movements. Specifically, they have branded a host of progressive and revolutionary organizations as terrorists, including the Communist Party of the Philippines, the Revolutionary Armed Forces of Colombia (FARC), and the Popular Front for the Liberation of Palestine (along with the Islamist resistance organizations in Palestine).” Combating the idea that the anti-imperialist movements and organizations are some sort of criminal conspiracy is one of our tasks in the anti-intervention movement and it is one of the reasons we have campaigned for the release of FARC leader Ricardo Palmera.

Domestic Report

The 5th FRSO Congress is important to our understanding of the U.S. and the world, and how to change it. The last couple of years point toward the emergence of a new period, different than the last twenty-five years. The U.S. is being strategically defeated in Iraq. This hampers the ability of U.S. imperialism to act elsewhere. In addition, the defeat in Iraq has slowed and in some cases stopped Bush's domestic agenda. The so-called "Republican Revolution" is over, while the Democrats are facing rebellion from their own supporters. At the same time, three mass movements stand out - the growing and deepening antiwar movement, the mostly Mexicano/Latino immigrants' rights upsurge, and the simmering anger and resentment of African-Americans following the neglect and abuse at the hands of the Bush administration in the wake of hurricane Katrina.

Stuck in Iraq

Slow painful defeat is stalking U.S. imperialism in Iraq. The Iraqi resistance has made the plunder of Iraq by President Bush and the U.S. ruling class extremely difficult. Furthermore, the heroic Iraqi people's resistance to U.S. imperialism has foiled broader plans for domination of the Middle East and other parts of the world. The Pentagon bragged five years ago that it could fight two medium-size wars at the same time in different parts of the globe and win them. Instead, every national liberation and left-wing movement struggling against U.S. domination is busy advancing their struggle while the U.S. is caught in the tiger's trap of Iraq. For the foreseeable future the U.S. is stuck in Iraq.

Digging Its Own Grave

The U.S. bourgeoisie faces a dilemma: Will it escalate the Iraq war into a high-risk regional conflict, continue with some variant of the status quo, or withdraw its troops and admit defeat?

Regional War: It is unclear if this is the road that Bush is taking, but the 2007 "troop surge" points in this direction. It is a risky approach that even most of the U.S. bourgeoisie is opposed to. However it has historical precedent—as the U.S. was losing the war in Vietnam it escalated into Cambodia and Laos. Bush continues to target and harass Iran—most recently raiding an Iranian consulate in Iraq. Meanwhile, the Middle East is rising up, with patriotic forces in Palestine and Lebanon delivering blows to Zionism and U.S. imperialism. In Afghanistan we see the signs of an anti-occupation resurgence against the U.S. and Britain.

Regional escalation could mean attacking Iran directly, or possibly Syria, and could draw in the neighboring countries of Turkey, Saudi Arabia, Jordan, and Kuwait. Escalation could mean death for millions, with tens of millions of lives ruined. Bush's vision of the "War On Terror" is a war without end. Bush threatens and delivers missile attacks and air raids as a form of diplomacy. The response to U.S. occupation and oppression is resistance and it is spreading. Escalation is a high-stakes bet for the U.S. ruling class.

Withdrawal: The other possibility is that the U.S. will make a plan to withdraw from Iraq. The U.S. will withdraw to bases in nearby countries, getting out while they still can. This will hurt U.S. power in the region, and U.S. prestige in the world, but allow a U.S. presence. The U.S. military can continue to

harass and terrorize the independent countries and movements in the region, while propping up the pro-U.S. governments of Saudi Arabia, Kuwait, and the United Arab Emirates, among others.

The War at Home

Bush's domestic agenda lies in the ruin and rubble of Iraq. The long list of reactionary items that the Republican Party planned to foist upon the American people is now in the trash—Social Security privatization, health care cuts, a federal law banning gay marriage, anti-union laws, and so on. Furthermore, the war in Iraq has had an impact on politics at the state and local level, improving the conditions to fight back and turn back reactionary domestic agendas in states where motion exists.

Over the past three years, opinion polls demonstrate a progressive shift in the views of Americans, driven by the Iraq war, corruption, and issues like immigration. This shone through in the November 2006 midterm elections when American voters opposed “Stay the Course” and opposed the occupation of Iraq. Americans had something to vote against, and where Democrats ran on an antiwar platform, they generally won. Where Democrats campaigned on a “we can manage the war better” line, they won fewer seats than predicted.

“Republican Meltdown!” announced the front page of *Fight Back!*. The wipeout is so tremendous that the “Republican Revolution” begun in 1994 is over. That year, the Republicans took control of the House of Representatives with a net gain of 54 seats (230 Republicans to 204 Democrats). The Republicans ruled the Senate with a small majority, a net gain of 8 seats, while one Democrat switched. Democrats Clinton and Gore were in the White House.

The tables have turned now, with Bush and Cheney sitting in the White House and the Democratic Party holding power in Congress. In November 2006, the Democrats won the House of Representatives (233 Democrats, 202 Republicans) and the Senate (49 Democrats, 49 Republicans, and 2 Independents caucusing with Democrats) as well as the majority of state governorships (Democrats 28-Republicans 22).

However, the President runs the country, and Congress is relatively weaker. It matters little, since the Democrats are not focused on ending the U.S. occupation of Iraq, but on “handling” it better. The Democratic plan is “not to have a plan” and instead to focus on winning the next presidential election. The Democrats are a party of the rich and powerful who do not want to see a setback for the U.S. empire. Neither we, nor the Iraqi people, nor the peoples of the Middle East can afford to wait. We must get the U.S. out now.

Beginning a New Period—Opinions Are Shifting, People Are In Motion

We are in a new period, with the U.S. defeat in Iraq shaping the other contradictions. Compared to even three years ago, the situation is markedly different and brings to an end the long period of a building right-wing motion in American society led by the U.S. bourgeoisie.

The new period is marked by strong antiwar and anti-occupation opinion, a popular view that the Republicans are corrupt or criminal, and a renewed distrust of politicians. Many Democratic grassroots

activists oppose the Republicans more than they support the Democrats. The base of the Republicans is adrift because of the war, corruption, and the growing disparity of wealth. The Republican attack on immigrants was meant to define and divide, but had little effect on the elections.

People opposing the Iraq war are outwardly angry with Bush—some calling for his impeachment. Bush is close to being the most “unpopular” president ever, with a Newsweek poll of May 2-3, 2007, finding an approval rating of only 28%. The same people are realizing that the Democrats are reluctant to end the Iraq war, and independent action is developing. A section of the antiwar movement is poised to move beyond the Democrats and become radicalized. We see this developing contradiction with regular Democratic voters and followers demanding the Democratic Party stop funding the war. The leadership of the antiwar movement needs to organize this base of people independent of the Democrats. Large protests in Washington D.C. and local actions at the offices of Congresspersons are on the rise.

Antiwar Movement

We should continue to make every effort to contribute to, develop, and lead the antiwar movement. The Iraq war shapes all the other social questions. The antiwar movement is progressive and powerful. It is impacting all sectors of society. For instance, the AFL-CIO is calling for the “speedy return” of U.S. troops from Iraq, a big shift from past pro-war positions. These days there are labor union contingents, like SEIU and UNITE HERE at antiwar marches. Local union halls are discussing and organizing to oppose the war, with many union members having relatives serving “in harms way”. New formations like Iraq Veterans Against the War (IVAW) and active-duty antiwar groups are opposing the war and growing quickly, bringing working class people into the leadership of the rallies and the movement.

In large part oppressed nationalities are opposed to the war and it is expressed in different ways. African-American people consistently and strongly opposed the war and occupation from the earliest days. African-American recruitment to the U.S. military is less than half of what it was when Bush announced “Mission Accomplished.” At the historic May 1, 2006 immigrants’ rights mega-marches, antiwar speakers and statements were high profile. Groups like Latinos Against War in Los Angeles are amongst the leaders of the marches.

In this time of U.S. war in the Middle East, Arab-American and Muslim people face racist repression and 13,000 were threatened with deportation in 2002. Yet in April that same year, when the U.S.-backed the Israeli invasion and devastation of Jenin, over 100,000 marched in Washington D.C. It was historic: the largest ever protest of Arabs, Muslims, and their supporters in the U.S. Arab-Americans and Muslims turned out again by the tens of thousands to protest the U.S.-backed attacks of Israel upon Lebanon and Palestine in August 2006. The main slogan was “Support the Resistance”. Large numbers of Arab-Americans and Muslims continue to mobilize and protest the Iraq war.

Students Oppose War

An important sector, the student movement mobilizes for the huge antiwar protests in Washington D.C. and other big cities. The war is the main issue on campus and up until now, the ups and downs of the student movement have mimicked the antiwar movement. Many campuses have antiwar rallies and also help lead community protests. On campuses across the U.S. there are counter-recruitment campaigns opposing the efforts of military recruiters. Other campuses have protested U.S. government or military officials speaking on their campus. At least one has targeted U.S. military research on the campuses.

There is tremendous possibility for students to impact and lead the antiwar movement in the new period. Students are more willing to use radical tactics and militancy is growing. The student movement is emerging and playing a bigger role, for instance with the March 20th National Day of Action called by chapters of the newly-formed Students for a Democratic Society (SDS). It was one of the largest antiwar protests on campuses since the U.S. was defeated in Vietnam.

Immigrants' Rights Movement

May 1st, 2006, International Workers Day, was historic as an estimated 7,000,000 people marched for immigrants' rights. The largest mass movement in the U.S. since the Black Civil Rights movement, it took to the streets of every city and town where immigrants live. Millions of Mexicanos, Chicanos, and other nationalities protested the Republican-sponsored Sensenbrenner bill. The spontaneous movement expressed the demands of foreign-born workers and others who faced decades of low wages, super-exploitation, and racist abuse in the U.S. The tremendous growth in the number of Mexican immigrants is a direct result of the North American Free Trade Agreement (NAFTA) and its negative impact on workers and peasants in Latin America. NAFTA is the policy the U.S. bourgeoisie forced upon Canada and Mexico to dominate their economies and profit from lowering all workers' wages.

The Republicans misread the response of the American people to this movement, hoping to shore up their electoral base with a "whites only" attack on immigrants. Instead the immigrants rights movement won a big victory by defeating Sensenbrenner's bill and forcing the Republicans to retreat, splitting their ranks. A section of the bourgeoisie still clings to the nightmare of criminalization and deportations. However, most of the bourgeoisie, represented by Bush's views, want to combine a program for legalization with reactionary guest worker programs. With a Democratic Congress and Bush wanting a positive legacy of some sort, legislation may come forth. Be that as it may, we as a movement demand freedom, rights, and equality for all, not just some.

The immigrant mega-marches of May Day 2006 were victorious in blunting the right-wing attack. To see rallies this size again will likely take more sharp attacks from the bourgeoisie. After May Day 2007, with large protests in Los Angeles, Chicago, Milwaukee, and other places, there is debate about the effects of a year of increased repression, raids and deportations. Some argue repression created fear and caused people to stay home. In Chicago on the other hand, activists say the raid by sixty U.S. Immigration and Customs Enforcement (ICE) agents with automatic weapons on a discount shopping mall, just days before May Day 2007, caused an angry response that swelled the Chicago immigrants' rights march to 250,000.

Spontaneous movements rise and recede quickly, though tens of thousands of town, state, and nationality based organizations are working to build the movement now. City and national coalitions formed and continue to organize, like March 10th Movement in Chicago, the March 25th Coalition in Los Angeles, National Alliance for Immigrants Rights and the National May 1st Movement for Worker and Immigrants Rights. The IRM promises to be a front of struggle for years to come and includes the leadership and activity of some unions. The union response is uneven, depending on the type of union and the outlook of the local or national leadership.

The immigrant struggle is focused on passing legislation and leadership is looking to mobilize and follow through on the demands of the masses of immigrants. We will continue to provide leadership and organize the movement, supporting what is just and good, criticizing what is wrong, and to defend workers and people against attacks. The immediate struggle is to stop ICE raids and deportations. A

second focus is the struggle against reactionary racist laws being passed by town councils. Finally, legislation towards legalization will be walled with barbed wire, checkpoints, and armed guards. We support legalization and full equality, while opposing guest worker programs and other backwards measures.

Defense of immigrants' rights is sharpest in the Southwest, the historic homeland of the Chicano people, formed as a nation when the U.S. seized Mexican land and colonized the people living there. The development of the Chicano nation is historically linked to, but separate from, Mexico. We now see vigilantes and thugs attacking and murdering Mexican immigrants here. These white supremacists fear that as more Mexicans arrive and meld with the Chicano people, the demands for self-determination will grow and gain strength. We support self-determination for the Chicano people. We favor the waving of Mexican and other national flags and encourage the national sentiment of the immigrants. Our slogan is "Workers and oppressed peoples unite!"

African-Americans after Hurricane Katrina

On September 1, 2005, immediately following Hurricane Katrina, FRSO issued a statement: "New Orleans—People Are Dying". It said, "Though the powerful storm was tracked and announced on every news station - every hour on the hour for days - and the region had experienced being smashed by big hurricanes in the past, government and politicians let this catastrophe happen and are now allowing the situation to get worse. The reason: low-income Black people do not matter to them. Not to Bush, not to the Republican Party, not to rich white people. Black people's lives are not worth a thing to them. Poor people are expendable and their homes and livelihoods are unimportant to those who rule the land. Remember, this is the South and Black people are an oppressed nation in this part of the U.S. Black people's oppression is not just history, it is now. The outrage is building across the country."

Since then, African-American people have organized a series of protests and marches in New Orleans and across the South. Throughout the country, in places where people meet and organize, like union halls, churches, and universities, people raise money, aid evacuees, and host speakers. Aided mostly by family, certainly not by the government, as many as 300,000 people have been displaced by the disaster and are struggling to survive and find jobs in cities across the South and Southwest. The impact on African-American communities and consciousness will be felt for years. As far as the rich are concerned, after the hotel and tourist areas are rebuilt, the rest of New Orleans can be the "Lost City of Atlantis."

Among African-Americans, George Bush's ratings are the lowest for any president ever. Hurricane Katrina has brought home a sense that this government will not meet the needs, let alone desires, of African-American people. As mentioned earlier, African Americans are consistently opposed to Bush's Iraq war and military recruitment is way down. Beyond aiding the victims of Katrina, the main expression of African-Americans to date has been in voting against Bush and the Republicans.

For African-Americans, another issue that has the potential to spark intense struggle is police brutality. Back in 1992, the failure to obtain a guilty verdict against the white cops who mercilessly beat Rodney King caused a great rebellion in Los Angeles. Today in every big city, police brutality continues across the U.S. The "United We Stand" days forced human rights and anti-brutality activists to retreat for a while, but those days are now over. Struggles against racism and national oppression are coming back into the streets and the courts. In response to police brutality against African-Americans and other oppressed nationalities, spontaneous movements will rise up. Organizing against police brutality is often

fast and furious, but can empower people to fight back and stop more state-sponsored murders. The NYC police murder of Sean Bell on his wedding day and the response of his family and supporters is a recent example.

Another pressing issue is the 2.3 million prisoners in the U.S. today. Due to poverty, racist policing, and a corrupt criminal justice system, African-Americans are imprisoned at higher rates than other oppressed nationalities and whites. This form of social control and national oppression is obvious and direct. While African-Americans are 13.5% of the population (40 million), they are 44% of prisoners. Campaigns against wrongful imprisonments and death row, like the Aaron Patterson case in Illinois, are known around the world. Struggle both inside the prisons and by family and friends outside is likely to increase. Activists are exposing the out-of-control profit making and labor abuses of the prison industry.

The Struggles of the Working Class

While the U.S. bosses wage wars abroad, there is a class war at home. The multi-national working class in the U.S. is the majority, with great potential power in its hands. The working class is the class of the future, of socialism. For now, however, the monopoly capitalist class lords over it and exploits the workers—the producers of wealth in society. The polarization between the multi-millionaires and billionaires on the one hand and the workers on the other continues—the rich get richer. Even President Bush feels the need to warn corporate CEOs about their audacious pay and benefits. Of course, President Bush also passed tax cuts to the richest people in society. Workers pay more and more of the taxes every year.

Since the early 1970s, average real wages for workers has declined year after year. Real wages are adjusted for inflation. In industry and other economic sectors, we are seeing drastic wage cuts, job losses, buyouts, and outsourcing. The American auto industry is the prime example. In many industries, pensions are being cut or even disappearing through buyouts by bigger corporations. Other benefits are vanishing too—sick days, holiday pay, vacations, overtime, etc.

Health care is in crisis, with big corporations making tremendous profits while 45 million Americans, including 9 million children, have no coverage. There will be more struggles on this issue as the employer-based health insurance system continues to decay and collapse. Health care is the number one issue in union contracts. The solution is socialized medicine to cover all, only in the U.S. it is renamed as “single payer health insurance.”

Monopoly capitalists oppress peoples and nations to create conditions for greater exploitation—to increase profits. The capitalists’ strategy in the U.S. is underlined by uneven economic development in the Black Belt South and in Aztlan, the historic homelands, respectively, of the African-American and Chicano peoples. Lower unionization rates, “right to work” laws, higher rates of poverty, and displacement of people from their land all point to the need to organize the South. Some unions that recognize the strategic importance of the South work together with local activists to win victories and build power. The Raleigh, NC sanitation workers’ struggle is a good example. Most oppressed nationalities in the U.S. suffer poverty and unemployment more than white people.

For low-income workers we see the crisis is already here and people are forced off of welfare into all types of schemes. The “welfare to work” programs treat people like slaves and make a profit doing so. These programs are sometimes set up to compete with or replace decent paying, unionized government jobs. Not everyone “forced to swim” makes it, so hunger and homelessness are common in every city

and some suburbs. The system can no longer meet the needs of this section of the working class. In pockets of society, where there is leadership, people are fighting back and despair can give way to rebellion.

Unions continue making concessions, for example in auto, airlines, and education. These areas are where union membership density rates are the highest and therefore should be strongest. But there is a problem, because most of the union leadership is not up to the task of fighting. Two and three tier wage systems are being agreed to by trade union bureaucrats, so younger and newer workers are feeling burned and turn anti-union. Where there are rank and file militants, like the Soldiers of Solidarity in the United Auto Workers union, the union leaders feel pressure to lead the workers in struggle. The setbacks for the workers are not as terrible and the workers begin to see that they themselves are the union. Some union leaders will fight back, like the United Steel Workers strike of Goodyear Tire in autumn 2006.

The failures of the John Sweeney leadership to turn around the unions' decline lead Andy Stern to rebel in 2005. But the splitting of the AFL-CIO, with the formation of the Change To Win (CTW) coalition, is meaningless to most workers and harms the overall situation. Stern of SEIU and CTW is becoming increasingly class collaborationist, the main difference is they seek to internationalize collaboration. Like the AFL-CIO of the past, but with more ambition, the CTW wants to spread American business unionism to other countries. Like the AFL-CIO, the CTW claims that new organizing is their priority and the basis for splitting, but overall no progress has been made. Union membership is at 12% for 2006, down from 12.5% in 2005.

Organizing non-unionized workers into unions is still an overall positive and necessary trend. It is not a substitute for the class struggle, but in general it contributes to the ability of the class to defend itself. The employers oppose it such that, in new organizing efforts, employees who are active union supporters have a one-in-five chance of being fired for union activities. As a result, the unions are backing the Employee Free Choice Act. If it were to pass, it could turn around the decline in membership

It remains to be seen what impact the mega-marches of the immigrants' rights movement will have upon the working class as a whole. It is likely that workers of all nationalities are thinking that their power can be exercised through collective action and marching in the streets. With the likelihood of an economic downturn in the next two or three years, we predict where there is good leadership there will be fight backs.

Freedom Road Socialist Organization (FRSO) and Election Policy

In FRSO, we view the differences between the Democratic and Republican parties as manifestations of contradictions within the capitalist class. There is a dictatorship of the bourgeoisie manifest through the two-party system. Since 1985, the FRSO has taken a position on elections, sometimes working to build movements with an electoral expression, and other times supporting a vote against a reactionary candidate.

In the past we supported Chicago Mayor Harold Washington and the presidential campaign of Jesse Jackson on the basis of African-American political empowerment. Other times we strive to support and sustain independent or third party politics, like Ralph Nader's first run for President in 2000 or Elaine Brown's run for mayor of Brunswick, Georgia. Then there are times when an issue like the Iraq war

defines our approach to elections on a national level.

The Iraq war was the main issue in the last presidential election and the 2006 mid-term elections. It will be so again in 2008. The mid-term vote was an opportunity to defeat Bush and the Iraq war policy. It created new conditions in which the antiwar movement has surged.

In 2004, FRSO said the main task was to build and organize the antiwar movement, which contains a large base of liberal Democrats. The FRSO encouraged people to vote against Bush. We could not endorse Kerry who took a pro-war, pro-occupation stance. We predicted correctly that Kerry would lose because he did not oppose the war.

The presidential campaigning for November 2008 has begun and the FRSO National Executive Committee policy is both responsive and clear. Ending the U.S. occupation of Iraq and war in the Middle East is at the top of our agenda. To accomplish this, our main activity must be to build the antiwar movement—to bring the troops home now. We are organizing people to protest war in the streets of all the major cities and small towns, conducting walk-outs against the war on campuses to build the student movement, and mobilizing for big antiwar rallies in Washington D.C. We support more militancy in protesting the offices of pro-war politicians, mostly Republicans, as well Democrats who claim to be antiwar but will not cut off war funding. The protests at Democrats' offices inform us what a Democratic presidential victory will mean for the U.S. occupation of Iraq.

We encourage support for candidates that are firmly antiwar and anti-occupation, but that leaves us with few choices. Ohio Representative Kucinich is consistently antiwar, with no hope of winning. The Democratic Party leaders cynically use Kucinich to rope in a Left-Liberal base to support their “electable” candidates. FRSO wants people to vote against the pro-war Republican candidates, but we will not endorse the “electable” Democratic candidates willing to prolong the occupation (Clinton, Biden), or a Democrat who says we should end the occupation of Iraq, but leave U.S. military bases there (Edwards, Obama). We cannot support a candidate that says U.S. troops should come home over the course of two, three, or more years. We want the U.S. troops out now!

The leaders of the Republican Party, McCain, Giuliani, Romney, and others want to expand the war. “More war, more occupation” is a policy that must be opposed. FRSO is against all of the empire-expanding Republicans. We hope to prove it by leading, with others, the protests at the Republican National Convention in Minneapolis on Labor Day weekend 2008. We plan to make sure the antiwar movement delivers a hard whack to Bush and the Republicans, whoever their nominee is.

It is a well-known fact that money rules U.S. elections. Whichever candidate can attract the most financial support from the capitalist class wins more than 9 out of 10 times. The FRSO view is that the masses make history, not the politicians, and not their rich bosses. We will focus on building the mass movement against the Iraq war, with elections being another way to express opposition.

Looking Forward

The next three or more years hold forth great promise for the class struggle in the U.S. The U.S. bourgeoisie is not getting their way in Iraq and their defeat there zaps their strength in the region, in the world and here at home. A big defeat is looming, not just for Bush, but also for the system—for U.S. imperialism. We are arguing a new period has begun and two great movements—antiwar and immigrants' rights—are dynamic and creating waves through society. We think the struggle of the

working class and the African-American freedom movement may be sparked by developments. Conditions are quite good and it is bringing out people, old veterans and new activists, to organize for social change. By assessing the period correctly, we have an opportunity to position ourselves to lead big struggles and consolidate victories through lasting organization. We can help to create a better world with peace, justice, and socialism.

The U.S. Economy

Long Term Decline of U.S. Imperialism

After World War II, U.S. imperialism was top dog. The massive military spending of the United States during World War II pulled it out of the Great Depression of the 1930s, while the other capitalist countries and the Soviet Union were devastated by the war. The United States was the largest industrial economy in the world. The United States established a new international monetary system at Breton Woods in 1945, which made the U.S. dollar as good as gold in other countries.

Following World War II, the defense spending of the Cold War period along with a continuing infrastructural advantage combined to stimulate the U.S. economy and keep it in a preeminent position for a long time. At the same time the struggles of the U.S. working class during the Great Depression led to relatively high wages for U.S. workers, and programs such as Social Security, unemployment insurance, deposit insurance for bank accounts, and federally regulated mortgage loans, led to more stability and security, which encouraged consumer spending.

But at the very moment the rich were crowing about the “American Century,” it was ending. Competition from Europe and Japan and the growth of the socialist camp, along with blows from national liberation movements, came together with the struggle of oppressed nationalities and workers within the United States to end U.S. global economic hegemony. The cost of the war in Vietnam forced the United States to devalue the U.S. dollar. This devaluation along with the oil crisis and subsequent worldwide crises of over-production ushered in a decade of inflation and recessions in the 1970s.

In response to this decline, monopoly capitalism shifted to a policy of neo-liberalism in the late 1970s. Neo-liberalism (which was often referred to as “Reaganomics” but actually began under the Carter presidency) marked a turn to the right by the ruling monopoly capitalist class. Starting with the deregulation of industry and military build-up under Carter, this policy intensified under Reagan with an assault on labor unions, most visibly with the breaking of the air traffic controllers’ strike in 1981. Cuts in social programs were combined with tax-cuts for the rich. The export of capital accompanied by the loss of U.S. jobs accelerated under the policy of “free trade.” Corporate profits boomed, and fed into a huge expansion of the financial sector and speculation in stocks, bonds, and currencies.

Growing Inequality and Insecurity in the United States

A fundamental characteristic of capitalism is the economic inequality as seen in the gap between the capitalists and the working class. Neo-liberalism has weakened, and in some cases entirely done away with, many of the reforms of the 1930s that held this tendency in check. Increasingly the social characteristic of the United States is polarizing into two distinct economic poles – wealth and poverty.

Income inequality is growing with a larger and larger share of income going to the top 20% of the population, who now receive more than half of all income, with most of this gain going to the very rich, while the lower 80% are losing ground. The wealth gap is even greater, with the top 1% of the

population owning more than half the financial wealth in the country. One example of this growing polarization is the gap between pay for corporate executives and the pay for an average worker, which has widened six-fold from about 30 to 1 in 1970 to 180 to 1 in 2005. [\(1\)](#)

The gentrification of the inner cities continues and affordable housing is either torn down as a “nuisance to the community” or renovated to suit the rich. Households of the poor are pushed out from the urban core. Households go deeper and deeper into debt to buy a home, with about 32% of Americans paying more than 30% of their household incomes for housing. Homelessness continues to rise. By most estimates, homelessness has doubled in the last 10 years. Between 2.5 and 3.5 million people are homeless every year. [\(2\)](#)

More and more Americans are losing their health insurance and pension plans as businesses cut benefits for their workers. This has pushed more people deeper into debt and even bankruptcy to try to cover their medical and retirement expenses. In 2005 16% of all Americans had no health insurance for the entire year, and many more did not have health insurance at any one point in time. [\(3\)](#)

While the official poverty rate has fallen over the last thirty years, this is mainly due to the government’s unreal definition of poverty: in 2005 a family of three had to earn less than \$16,000 a year or \$1,300 a month to be officially poor. [\(4\)](#) A more realistic poverty line would be at least 50% higher, and show the reality that the numbers of poor are increasing. Clinton's welfare reform in 1996 is making life even harder on the poor as millions have been forced off aid and into low-paying, unstable jobs. The number of severely poor (households with half or less of the official poverty line) has been going up.

The growing inequality can also be seen in the economic gap between whites and oppressed nationalities. While the Civil Rights movement led to large gains in education and political representation for African Americans, much of the economic gains have been offset by growing inequality. Thus the unemployment gap is little changed over the last thirty years, with Black unemployment 3.4 times as high as whites in 1970, as compared to 3 times as high in 2002. The wealth gap is greater than the income gap, as African American households earn about 62% of white households, while Black wealth (in the broadest form, including homes and cars) is only 8% of whites.

Inequality also contributes to the exploitation of the African American Nation in the Black Belt South. Not only have Black farmers lost almost all of the land they once farmed over the last fifty years, but today much of this land is being turned into huge hunting preserves by corporate owners. Lower taxes on land lead to under-funded schools, locking Black people in a cycle of poor education and poverty.

Not satisfied with the reserve army of unemployed African Americans who are called to work during economic booms but first fired during recessions, the monopoly capitalists have turned to recruiting immigrants from all over the world, and especially from Mexico and Central America to do low-paid work with poor working conditions, such as meat packing, restaurant, janitorial, and domestic work.

Growing International Contradictions of the Capitalist Economy

The U.S. economy faces growing competition from the two other capitalist blocks, one in East Asia headed by Japan, and the other in Europe in the European Union (E.U.). In addition there are growing

challenges to U.S. economic hegemony from developing countries in Latin America, and also from Russia and China.

The European Union continues to grow through the incorporation of central and eastern European countries. In addition, the Euro (European money) continues to gain strength against the U.S. dollar. At the same time contradictions are also growing within the E.U. because of Britain's close alliance with the United States. Tensions are also increasing with Russia, which is fighting back against E.U. and U.S. designs on eastern European nations that used to be a part of the Soviet Union.

Capitalism in Asia continues to grow, although formal economic and political integration as in Europe are lacking. Japan's leadership of the Asian economic bloc has been weakened by their long period of economic stagnation since 1991, which has led to more neo-liberal policies in Japan. The rising economic strength of China, and Japan's close alliance with the United States, are also growing obstacles to Japan's economic leadership in Asia.

The intensification of neo-liberal policies in Latin America has brought popular resistance to these policies to the forefront in Venezuela, Bolivia, and Ecuador. In addition, social-democratic governments in Brazil, Argentina, Nicaragua, and other countries have had to distance themselves from some U.S. political policies such as trying to isolate socialist Cuba, even as they continue to open their countries to U.S. corporations. The U.S.-backed "Free Trade Area of the Americas" or FTAA has been bogged down by this resistance and the U.S. has had to resort to signing trade agreements with individual countries.

The World Trade Organization or WTO continues the work of the General Agreement on Tariffs and Trade (GATT), which was set up after World War II to open the world to U.S. corporations under the policy of "free trade." Today the WTO has seen growing resistance by the world's peoples and the developing nations led by China, India, and Brazil against the policies of the imperialist blocs headed by the U.S., E.U., and Japan. The WTO has made almost no progress since 1999, when popular protests shut down the Seattle conference, to the latest conference in Cancun, Mexico, which broke down when the United States refused to negotiate with the developing countries over reducing agricultural subsidies.

Bust Follows Boom under Capitalism

Capitalist economies have a cyclical boom/bust character. The history of American capitalism is no exception with a history of regular downturns (recessions or depressions) alternating with economic expansions. With the exception of the Vietnam War years, and then the high-tech boom of the 1990s, the economy has a recession every 4 to 6 years. The last expansion from 1991 to 2001 was the longest in U.S. history, but was also followed by a recession in early 2001.

Recessions reflect a crisis of overproduction, where the capitalists cannot sell their products at a profit. In the post-World War II era, the two sectors most prone to overproduction have been housing and capital goods (machinery, equipment, and buildings used by businesses). It is important to recognize that this overproduction is only relative to the capitalists' ability to make a profit, not their ability to meet people's needs. Thus there can be an "oversupply" of homes at the same time as there are growing numbers of homeless.

Capitalist economies also face financial crises that are less regular. The last great financial crisis in the United States was in the 1930s, when thousands of banks were forced to close disrupting the flow of capital to businesses. However in the last 12 years there have been financial crisis in Mexico (1995),

Southeast Asia (1997), Russia and Latin America (1998), just to mention a few. These crises are characterized by upheavals in stock markets, currency exchange, and banking, often following a period of financial speculation. These crises are part and parcel of monopoly capitalism where the merger of banking and industrial capital, and the super-profits made by monopolies and the exploitation of other countries, fuel an ever-growing financial sector.

These two types of crisis are interrelated. [\(5\)](#) The cyclical boom leads to greater profits, which can lead to financial speculation and crisis. At the same time, financial crises disrupt the flow of capital and contribute to larger-than-average crises of overproduction. Both the cyclical crises of overproduction and the occasional financial crises can spread across borders, as seen in the last world economic crises in 1997-1998 that started in Thailand, spread to other southeast and east Asian countries, and then to Russia and Latin America.

To try to contain these crises of capitalism and prevent them from threatening the capitalist system, the capitalists employ a number of reforms to stabilize the capitalist system. These include borrowing and spending by the government (fiscal policy) and lowering interest rates (monetary policy) to try to increase spending in order to avoid crises of overproduction. The government can also tax imports (tariffs) and/or set limits on imports (quotas) to try to boost spending on domestic production. Capitalist governments also try to contain financial crisis through measures such as bank deposit insurance and regulation of banking and finance companies.

However these measures cannot prevent crises from occurring. Recessions have continued after the Great Depression when many of these reforms were implemented. Further, these reforms can lead to other crises, such as when the Federal Reserve lowered U.S. interest rates to fend off the 1997-1998 economic crises that began in Asia, only to set off frenzied speculation in the stock market, especially high-tech stocks that contributed to a stock market bust and a recession in 2001. Last, but not least, these reforms tend to limit the corporate profits, leading capitalists to try to eliminate them, which is what neo-liberalism is really about.

Dynamics of the Current Economy in the United States

The U.S. economy is in a boom phase following the end of the last recession which began in 2001. Nevertheless, the long-term trends of continued decline relative to other capitalist powers, economic inequality and insecurity, and increasing international economic tensions continue. At the same time, some signs of overproduction have developed, and financial speculation continues to grow.

The economic decline of the United States can be seen today in its dependence on foreign capital. The U.S. economy must have a continued inflow of foreign capital because of the huge U.S. trade deficit (importing more than exporting), which grew to some 800 billion U.S. dollars in 2006. Japanese and European corporations continue to make inroads in the U.S. economy, as seen in the auto industry, and even developing countries such as Mexico and China are buying up some U.S. businesses. This is contributing to the falling value of the U.S. dollar, especially against the European Euro and the Chinese Renminbao.

Almost all of the economic benefits generated by the current boom have gone to the capitalists, and almost none to labor. Major U.S. corporations have seen three years of 10-20% growth in profits each

year, while the real income (adjusted for inflation) of U.S. workers has been virtually flat. More workers are without health insurance or pensions as businesses cut benefits despite their growing profits. The greed of the capitalists shows no bounds, with severance pay of \$200 million for top CEOs becoming a trend.

Despite five years of economic growth, the gap between whites and oppressed nationalities is little changed. For example, in 2004 African Americans were only two-thirds as likely as whites to have a professional, technical, or managerial job, they were two-thirds as likely to own a home, and their median household income was only two-thirds that of whites. In addition the poverty rate among African Americans was three times that of whites. [\(6\)](#)

Latinos were only half as likely as whites to have professional, technical, or managerial jobs. Their median household income was a little more than two-thirds that of whites, and Latinos were only two-thirds as likely to be homeowners as whites. The poverty rate of Latinos was more than twice that of whites. [\(7\)](#)

Some signs of overproduction are beginning to emerge in the housing and auto sectors, with the percentage of homes lying vacant and for sale at a record level and growing inventories of unsold cars. In the last two years, households have had to borrow at levels not seen since the Great Depression of the 1930s to buy all the goods produced, which is unsustainable in the long run.

Financial speculation has grown in new ways: exotic mortgages with no down payment, interest only, and even ability to skip payments has fed a boom in housing, but is showing signs of stress as more and more borrowers are unable to pay. This has led to the failure of many mortgage companies and billion-dollar losses at banks, leading to more restrictions on mortgages. This will reduce the sales of homes, making the crisis of overproduction worse, and leading to even more financial problems.

Banks are making huge (literally trillions of dollars) bets, financially known as “derivatives.” Speculation in currencies and commodities such as oil, have boomed. All of this speculation is dependent on continued profits and inflows of foreign capital, creating a growing chance of the financial equivalent of a train wreck more possible.

In the FRSO Main Political Report in 2004, we stated that the economy was likely to be in a period of relative stability. Today we can say that this period is likely to end in the next three years. While a recession is probable during this time, it could come sooner or later. At the same time, while a financial crisis, probably involving a sharp drop in the value of the U.S. dollar and a spike in interest rates leading to a severe crisis of overproduction (recession), is more likely than in the past, it is not a certainty in the next few years.

What is clear today is that a growing number of U.S. workers are feeling the effects of the economic inequality and insecurity and resistance to capitalist policies are growing. This can be seen in the widespread opposition to President Bush’s plans to privatize Social Security and growing opposition to his free trade policies. There is also widespread anger at the rampant corruption in government and unbridled corporate greed. There is also widespread support to raise the minimum wage and growing support for universal health insurance.

These sentiments have been tapped by many Democrats. While Democratic politicians in Congress have promoted issues helpful to the working class such as raising the minimum wage, they are also more likely to engage in trying to scapegoat China for problems of the working class, diverting attention away

from U.S. corporations. Liberal Democrats see the problems as neo-liberalism, whereas the fundamental issue is capitalism and the search for ever-greater profits.

Endnotes

(1) Carola Frydman (MIT) and Raven Saks (Federal Reserve)

(2) Note that the official government figures on homelessness only try to count those in shelters and on the street, and are widely recognized as undercounts. Further they don't count people living in cars, etc.

(3) Census Bureau – Income, Poverty, and Health Insurance Coverage in the United States, 2005

(4) *ibid.*

(5) Marx wrote about the circuit of capital being a cyclical process where money capital (M) is used to buy commodities (C) such as raw materials, labor power, tools and machinery to produce (P) commodities of greater value (C') which is sold for a profit (revenue M' greater than the original investment M) or in other words $M - C = P \dots C' - M'$ Crises of overproduction occur when the production C' cannot be sold at a profit. This in turn is often caused by disruptions in the supply of capital for the purchase of commodities (M - C). See Marx, Capital, Volume 11, part 1, Chapter 1: The Circuit of Money Capital.

(6) The American Community. Blacks 2004 (Census Bureau)

(7) The American Community: Hispanics 2004 (Census Bureau)