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The U.S. Economy

Introduction: The Current Crisis

In December of 2007, the United States entered a recession. Nine months later, the failure of investment bank Lehman Brothers triggered a financial crisis that spread across the Atlantic to Europe. As the recession in the United States and Europe deepened, the world economic crisis spread to Asia as their export-oriented economies slowed. The greatest economic crisis of capitalism since the Great Depression of the 1930s has engulfed almost every major economy of the world, with the exception of China. [1]

As the crisis developed, mainstream economists, the Federal Reserve, and Federal government officials tried to explain away the problem. When the problems in the mortgage market began in 2006, they said that it would be “contained” to so-called sub-prime mortgages made to borrowers considered to poor credit risks. Then the housing market as a whole began to sink, and they said that it wouldn’t cause a recession. As the economy began to lose jobs and the recession started, they said that Europe and Asia would be fine and that our exports to the rest of the world would help the United States. Finally, when the financial crisis exploded on Wall Street and shook the world economy, the Federal Reserve and Federal government jumped into action and the finger pointing began.

With interest rates already near zero in a failed attempt to combat the recession, the Federal Reserve went on a lending spree, pumping about a trillion and a half dollars into banks, financial institutions, and bond markets. The Federal Government has cut taxes, loaned hundreds of billions of dollars to bailout banks and other financial institutions, and increased spending on social programs and infrastructure, leading to a trillion and a half dollar federal budget deficit for the 2009 Fiscal Year.

The dominant free market school of economics reeled in shock as the capitalist system teetered on the edge of calamity. They saw the economic crisis as unthinkable and impossible and tried to blame it on the government, overlooking the fact that the government had pursued their policies of deregulation, free trade, and cuts in social programs for the last thirty years.

Keynesian advocates of government borrowing and spending to fight recessions had been on the defensive for thirty years. The worldwide economic crisis gave them a new lease on life, as they came back with ideas to increase regulation and the role of the government in banking and health care in addition to their spending stimulus. [2]

But while the economic debate between the free-marketers and Keynesians heated up, both sides have ignored the only school of economics that actually explained why

recessions and economic crisis are a regular feature of capitalism instead of explaining it away or trying to figure out how to save the system. This school is Marxism, based on the economic analysis of Karl Marx, V.I. Lenin, and others.

A Marxist Analysis of Capitalist Economic Crisis

Marxism lacks both the mathematical fantasies of the free-market economists, and the determination to save capitalism found in Keynesian economists. Instead Marxism begins with the reality that the means of production of goods and services, that is the land, buildings, and machinery that labor needs to produce, are owned by a small group of wealthy capitalists. In the United States, the wealthiest 1% of the population owns almost half of financial assets such as stocks that represent ownership of productive forces. This means that the vast majority of people (in the United States about 90%) must work for others to make a living. [3]

Under capitalism workers' wages are not determined by the value of the product of their labor, but instead by the value of their labor power, or goods and services needed to sustain themselves and their families. The value of labor power is reflected in the wages and benefits of workers as well as social benefits provided by the government. The value of labor power is not set, but is historically determined, and can vary from country to country and time to time depending on a number of factors. These factors include what workers are able to win in the class struggle, the condition of the reserve army of labor, and the extent of national and colonial oppression, and the necessary level of training and education of the average worker. [4]

The difference between the value of the goods and services created by labor, and the value of labor power, or wages that the workers are paid, is surplus value, which goes to the capitalists who own the means of production. Surplus value is the source of capitalist profits. Thus the more that the capitalists can force down wages, the greater their profits. This is what Marx called exploitation. This can be clearly seen in the second three months (April to June) of 2009, where corporate sales fell due to the recession, while their profits soared as layoffs, wage cuts, and harder work by the remaining workers boosted their bottom line. Indeed, over the course of the entire 2001-2007 expansion of the economy, typical household incomes (adjusted for inflation) actually fell despite economic growth. At the same time profits grew to record levels. [5]

But unlike the kings and emperors of ancient and medieval times, the capitalists today do not spend their all their wealth on luxuries, temples, and armies. While they do live lives of luxury, most of their wealth is reinvested into expanding their businesses. This accumulation of capital also contributes to the rapid technological advances under capitalism, as the capitalists use their wealth to develop new innovations that they hope will help them compete with other capitalists.

But these processes of exploitation and the accumulation of capital lead to a fundamental contradiction: exploitation and the capitalists' drive to lower wages, limits the ability of the masses of workers to consume. At the same time, the accumulation of capital and technological innovation are constantly increasing the ability of capitalist

businesses to produce. This contradiction between reduced ability to consume and the increased ability to produce leads to periodic crisis of overproduction, or what is generally called a recession.

Such a crisis of overproduction can be seen around us: stores are closed and factories are idle. Homes stand empty and goods pile up unsold. At the same time workers are laid off, getting evicted from their homes, and suffering from cuts in government services and public schools.

These crises of capitalism also pave the way to recovery. As businesses close down, means of production are destroyed, reducing the excess capacity to produce that helped to lead to the crisis. At the same time new markets can be found, restoring the ability of the capitalists to sell their products. This restores economic growth, which in turn recreates the conditions for another crisis of overproduction. Thus there is a pattern of economic expansions followed by recession, or what is known as the business cycle. Here in the United States there is a recession every five years on average. The U.S. economy is in the 33rd official recession since 1857 [6].

The Development of Capitalism into Imperialism

Another characteristic of capitalism pointed out by Marx is the tendency for businesses to grow in size. This comes from the process of accumulation itself, or the concentration of capital and from the tendency of bigger businesses to crush and absorb their smaller rivals, or the centralization of capital. This process of concentration and centralization of capital can be seen today in the beer industry, where three large firms control almost 90% of the market. [7]

By the end of the 19th Century, this process had led to a new stage of capitalism, monopoly capitalism. This change is described by Lenin who in 1917 listed five features of monopoly capital: first the centralization of capital into a few large firms in each industry, who have monopoly power. This can be seen in the United States where more and more industries are dominated by a handful of giant firms. This centralization began in manufacturing, and has spread to transportation, communication, retail, banking, and restaurants. [8]

Lenin also pointed out the rise of what he called “finance capital” and of a financial oligarchy that profits from speculation in stocks, land, and other financial securities. Here in the United States in the 21st century, the fact that the so-called “FIRE” industries (Finance, Insurance, and Real Estate) made 40% of the profits of large corporations, shows the importance of finance capital. [9]

In the 16th, 17th, 18th, and early 19th centuries merchants and capitalists expanded trade around the world. European powers sought colonies where they could dominate trade according to the prevailing “mercantilist” economic theory. But by the late 19th century up to today, flows of capital have greatly exceeded the amount of trade. This can be seen in the growth of multinational corporations and the huge amount of foreign

currency speculation today. This growth of multinational corporations is what is referred to as imperialist globalization, and has been going on for over a hundred years. [10]

Last, but not least, Lenin criticized the idea that the growing international ties among capitalist nations would lead to more harmonious relations. Instead he pointed out the growing competition and conflict among the imperial powers for control of raw materials, markets, and opportunities to invest. These conflicts exploded into World Wars I and II. Today there are also mistaken theories that capital is now transnational and that national governments don't matter as much. But the reality is that economic contradictions are growing among countries, especially the rising economies of the so-called "BRIC" (Brazil, Russia, India, and China) and the established economic powers of the United States, Western Europe, and Japan. There are also growing protectionist barriers to trade and investment in the wake of the economic crisis in the United States and other countries.

Lenin said that imperialism was the monopoly stage of capitalism. Our view of the world economy today is that these basic features that Lenin identified almost one hundred years ago: the centralization of capital in gigantic corporations, the growth of finance capital, the export of capital and formation of international corporations, and the growing competition between economic powers, still hold true. The models of competitive markets that mainstream economics is based are by and large myths designed to explain and defend the status quo. [11]

The Working Class and National Oppression in the Monopoly Stage of Capitalism
One of Lenin's less recognized observations was about how the rise of monopolies and imperialism changed the nature of immigration. In the period of rising, competitive capitalism, immigration largely consisted of movement of peoples in developing capitalist economies in Europe to colonies and former colonies of the European powers. But with the rise of monopoly capitalism, immigration more and more consisted of movement of peoples from the colonies and other oppressed nations to Europe. [12]

This can be seen in the monopoly capitalist countries (the United States, Western Europe, and Japan) where the vast majority of immigrants come from the developing nations of Africa, Asia, Latin America, and the Caribbean. These immigrants and their children have become oppressed nationalities in the imperial nations. Here in the United States, African Americans in the south, Chicanos in the southwest, and peoples of Hawai'i have been forged into oppressed nations. [13]

National oppression contributes to economic inequality in the United States. Many of the poorest communities in the United States are on Native American reservations, Texan towns where the Chicano Nation borders Mexico, etc. The long-standing relative poverty in the South is rooted in the national oppression of African Americans and the African American Nation.

Marx had noted the tendency for capitalism to proletarianize workers, in other words, to change work done by skilled artisans such as weaving cloth into manual labor in

factories. This tendency towards deskilling workers continues under monopoly capitalism, as former professionals such as clerks, nurses, and teachers are transformed into workers who have to sell their labor power. They have joined skilled trades workers in an upper stratum of the working class. [14]

At the same time immigration for the Third World and continuing national oppression have contributed to the continuation of a lower stratum of the working class. African Americans and immigrants from Asia, the Caribbean, and Latin America also make up the bulk of what Marx referred to as “the reserve army of labor,” the unemployed and underemployed workers that capitalists can draw upon when needed without having to raise wages, and to be released at will -- in other words the “last hired and first fired.” This can be seen today in the rates of unemployment that are almost twice as high for oppressed nationalities as for whites. [15]

Economic Crisis and the Role of the State under Monopoly Capitalism

Under monopoly capitalism crisis of overproduction is centered in the production of capital goods (or what mainstream economics refers to as “investment spending”). This can be seen in the current recession, which began with a downturn in the housing market, and the previous recession in 2001, which began with a downturn in computers, routers, service, fiber optic cable, etc. that formed the backbone of the internet. [16]

This goes hand in hand with the general tendency towards overcapacity, or the ability to produce more than what can be sold. Even before the current recession broke out, there was overcapacity in many industries, including auto, steel, airlines, retail, etc. This overcapacity means that there is a lack of profitable investment outlets in the production and distribution of goods and services, leading to a tendency towards stagnation, or prolonged periods of crisis. These long periods of crisis under monopoly capitalism can be seen in the Great Depression of the 1930s. [17]

The Great Depression was only overcome by the gigantic destruction of capital during World War II and stimulus to the economy of the reconstruction efforts. Continuous military spending on the Cold War with the socialist countries and wars to suppress national liberation struggles in Korea and Vietnam also stimulated the economy. There was also the relatively cheap and abundant land and energy that drove a wave of suburbanization, stimulating construction, auto manufacturing, and other industries. These combined to create an economic boom in the United States.

The role of the Federal government also changed with the Great Depression and World War II. Earlier, it played little direct economic role. But beginning in the 1930s the Federal government, began to play a much larger role in regulating industries, especially banking, in social welfare programs such as social security, and in the allocation of credit through the Federal Reserve bank and mortgage lender Fannie Mae. This was in addition to the economic stimulus of vast military spending.

The government also developed policies to try to stabilize the economy. The Federal Reserve Bank began to raise and lower interest rates to try to even out the flow of credit by the private banking system. The Federal government also began to raise and lower taxes and spending to offset the changes in investment spending on capital goods. While these policies did have an impact on the timing, duration, and depth of crisis of overproduction, they in no way were able to eliminate this fundamental feature of capitalism, as the business cycle continued in the post-World War II period. [18]

But by the 1970s, many of the factors leading to the post-war boom had played out. The reconstruction of western Europe and Japan was completed and these countries played an increasingly competitive role. The era of cheap energy came to an end with the decline in U.S. oil production and the maturation of OPEC into an effective bloc against US and other imperialist oil corporations. This led to renewed economic crisis and a decade of Stagflation (combination of rising inflation and rising unemployment) during the 1970s.

In the 1980s, monopoly capitalism found a new way to increase exploitation and profits and at the same time expand its markets through the ever greater extension of credit. Reaganomics meant a new anti-union line by the government and the trimming of social welfare programs that aided workers. At the same time there was a huge expansion of credit to maintain and expand consumer spending in the face of declining wages. In the last ten years the boom in the housing markets was another source of credit for consumer spending. In 2005 alone some \$600 billion in spending came from refinancing home mortgages. [19]

The most striking change in this period has been the massive buildup in debt across the economy. Household, businesses, and the government have all seen their debts grow much faster than the overall economy. The United States is borrowing more from other countries to pay for a growing trade deficit. The biggest explosion in debt was in the financial sector, where a combination of deregulation of banking, new information technology, and capital unable to find profitable investment elsewhere fed into a boom. More capital began to flow into the financial sector, and the growth of lending and speculation in financial assets. [20]

Uneven Development and the Rise and Decline of U.S. Economic Power

Imperialism also leads to the uneven development among countries. The growing gap between rich and poor countries was first and foremost due to the growing wealth of the imperial countries in Western Europe, the United States, and later Japan, and the impoverishment of the colonial and semi-colonial countries of the Third World. This gap has continued after the end of European and American colonial rule through neo-colonial relationships that keep Third World countries as sources of cheap labor and natural resources. [21]

There are also differences among the imperial countries. During the 19th century Britain was the leading imperialist country with a leading economy, the largest empire, and greatest ability to project military power through its navy. However World Wars I and II weakened Britain, and the United States became the leading imperial country after World War II. The U.S. economy was dominant with the other major capitalist countries (Britain, France, Germany, Japan, and Italy) heavily damaged by the war. The U.S. had the largest military, which was armed with nuclear weapons. As the struggles of colonial people forced the European powers to shed their colonies, the United States moved in with neocolonial relationships that it had long practiced in Latin America.

The 1970s was a turning point for U.S. economic hegemony. At that time China pointed out that “Countries want independence, Nations want Liberation, and the People want Revolution.” The U.S. empire was battered as national liberation struggles, in particular the heroic struggle of the Vietnamese people showed the limits of U.S. military power. The rise of OPEC (Organization of Petroleum Exporting Countries) meant an end to cheap oil that had helped to fuel the post-World War II economy through construction of suburbs, a growing auto industry, and related travel industries such as tourism. The struggle of African Americans for equality and power inspired other oppressed nationalities and the working class to greater struggle. In addition, the recovery of Japan and western Europe from World War II meant more competition for the U.S. economy.

The relative decline of the United States was reflected in the high rates of inflation and the decline of the U.S. dollar. After World War II the U.S. dollar became the international reserve currency, meaning that it was as “good as gold” in backing other countries’ moneys. But in 1973 this so-called Bretton Woods arrangement came to an end, the U.S. dollar sank in terms of the Japanese Yen, German Mark, among other currencies. [22]

The United States was able to slow its relative economic decline in two ways. One was through “Reaganomics” in the 1980s, which included union busting, deregulation of banking and industry, breaking down protective tariffs. The end result was to lower the value of labor power and increase the profits of the monopoly capitalists. The other was the demise of the Soviet Union and eastern European socialism in the early 1990s. This opened up new markets for the monopoly capitalists, removed a major obstacle to U.S. military intervention in the world, and dealt a blow to socialism and the workers’ movements.

The Current Crisis of Monopoly Capitalism

One of the features of capitalism noted by Marx was that each resolution of a crisis laid the groundwork for an even greater crisis. After the dot-com bust following the internet boom, speculative capital flowed into the mortgage market, fed by historically low interest rates set by the Federal Reserve. The boom and then bust in the housing

market led to both a recession, and then a financial crisis not seen since the Great Depression of the 1930s.

The main features of the current economic crisis are first, the increased exploitation of the working class, cuts in government services, and schools, and generally lower standards of living as the capitalist try to shift the burden of the crisis on to the working class and oppressed nationalities. Unemployment and home foreclosures continue to rise. A vicious cycle develops where jobless workers fall behind on their debt payments, and then are denied jobs because of their bad credit! More and more people are losing health insurance as businesses cut benefits and individual plans become too expensive. Homelessness is growing and mothers and children are being thrown off of TANF and into the streets due to 5-year limits.

Secondly, the crisis is destroying means of production. Plants are closing down, never to reopen. Stores and even entire shopping malls are boarded up. Some banks have even gone as far as tearing down foreclosed homes to try to prop up prices for remaining houses. Thus the Obama administration's "rescue" of U.S. auto makers actually led to more and faster closings of plants and dealers than GM and Chrysler had been doing on their own. This is worsening the crisis of unemployment for the working class, with the official unemployment rate rising to more than 25% in the hardest hit city of Detroit. [23]

Third, the concentration and centralization of capital has accelerated as the smaller and weaker firms fold and the bigger and strong ones snap them up or even prey on each other. This can be seen in the U.S. banking industry, where four giant banks (Bank of America, Citigroup, J.P. Morgan Chase, and Wells Fargo) have emerged with over half the bank assets in the United States. [24]

The current crisis has also sped up the relative economic decline of the United States. The U.S. economy has been hit harder than most other large economies due to the financial boom and bust. The free-market economics pushed by the United States to further its own economic interests has been discredited. For the first time, other countries are questioning the large debt of the United States to the rest of the world, and the role of the U.S. dollar as the international reserve currency. [25]

Future Prospects for the U.S. Economy

At this time (April, 2010), it is clear that most sectors of the economy have bottomed out, with state and local governments and schools the major exception. At the same time the economy is still in a deep hole. Jobs are coming back, but it will take years to make up the 8.4 million jobs lost in the recession. Housing sales and prices are no longer trending down, but there are millions of vacant homes.

But these "green shoots" of recovery heralded by economists and politicians are all too dependent on the government. Forty percent of new mortgages are being made by the Federal Housing Authority and the Veterans Administration, and sixty percent of

mortgages are being bought, turned into bonds, and resold to investors by Fannie Mae and Freddie Mac, both of whom have been taken over by the Federal Government. The Federal Reserve is buying a half a trillion dollars of Federal and mortgage bonds to try to keep capital flowing. Unemployment insurance benefits have been extended from the standard six months to more than a year and a half, etc.

The chances of a strong economic recovery, last seen following the 1981-1982 recession, are slim. That recovery followed more than a decade of stagflation.

Interest rates were lowered, and a new, pro-business Reagan administration was in power. Most of all, the massive build-up of debt had just began, and with it the ability to juice the economy. None of these conditions exist today: the crisis is less than two years old with massive overcapacity. Interest rates are already at zero. Debt is now so large that it is a major drag, not a stimulus for the economy.

Another possible scenario is a long period of weak economic growth such as Japan in the 1990s, following its boom and bust in both housing and stock market in the 1980s. But Japan was able to stimulate their economy with massive government spending that raised their public debt from 20% of GDP in the 1980s to 120% by 2000. With the U.S. public debt already at above 50% of GDP and rising because of the Bush era tax cuts for the wealthy and wars in Afghanistan and Iraq, the large budget deficits are now being opposed by Republicans and conservative Democrats. The Japanese government was able to borrow at home with Japan's high savings rate, but the U.S. government has had to borrow from other countries, which are increasingly worried about lending more. [26]

This leaves the possibility of a "double-dip" where the economy takes another sharp drop. There are a number of factors that could lead to this. One is that further cuts in consumer spending due to rising unemployment and tighter credit could cause another wave of cuts by businesses. Another possibility is that the Congress, driven by fear of deficits, cuts back on government spending, and/or the Federal Reserve gets spooked by inflation and raises interest rates. This is what happened in 1937-1938, where after four years of recovery, the economy took another step down during the Great Depression. There is also the possibility of another financial crisis, this time driven by bad loans in business real estate. Cuts in state and local government services and public schools, not seen the Great Depression, could also push unemployment even higher.

Last but not least, there is also the possibility that the U.S. economy will experience another crisis which begins outside the United States. The most recent bout of financial instability because the Greek government debt crisis that (for now) has been contained by a one-trillion dollar fund by the Euro-zone governments is a case in point. In the 1990s the United States was able to prevent crisis in Mexico, Southeast Asia, Russia, and Latin America from spreading to the United States. But today the relative decline of the U.S. economy relative to others and the recent recession and financial crisis have left the economy weaker and the ability of the U.S. government to respond to another

crisis is less. International capital markets are also more integrated, as seen in the spread of the U.S. financial crisis to Britain and the Euro-zone. [27]

The Peoples' Struggle and Socialism

The economic crisis has brought about an increase in struggle among workers and oppressed nationalities. Some other biggest are against plant closings and business takeaways of health benefits, home foreclosures, and cuts in education. So far (again, as of October 2009) these struggles remain generally localized and defensive, but there remains great potential for expanding and linking these struggles. [Note: more analysis of the peoples' economic struggles are in the domestic section of the this MPR]

At the same time, the monopoly capitalists are also regrouping and laying the groundwork for new assaults on the working class and oppressed nationalities to shift the burden of the economic crisis on to their backs. There is growing clamor about the weakness of the U.S. dollar and growing Federal government budget deficit from bankers and the Right-wing. They want to start raising interest rates and cut government spending and institute a new period of austerity by further assaults on reforms won in the 1930s and 1960s (social security, Medicare, and home ownership).

But no matter what the monopoly capitalist do and say, the current economic crisis has shaken confidence in the capitalist system. Opportunities for educating people about the true nature of monopoly capitalism are growing. At the same time this also is a good time to point to the need for socialism, a system based not on the profit of privately owned corporations, but one based on serving the needs of the working people through government and collective enterprises.

Endnotes

[1] China's economy, with large government owned enterprises and banks, government control of foreign capital flows, and a large domestic market, was able to continue growing. However, China does have a very large export sector linked to the world capitalist economy, which took a big hit and caused economic growth to slow substantially. Cuba's economy has been hit much harder by a dramatic fall in trade combined with massive damage from three major hurricanes last year. The world economic crisis had a bigger impact on Cuba as compared to China due to Cuba's relatively larger export and foreign direct investment sectors.

[Note: Cuba's Foreign Direct Investment or FDI is twice that of China when compared to either the size of the economy or population. Despite this important link to the world capitalist economy, the U.S. press generally portrays Cuba as "socialist" and China as "capitalist." What this is based on is the fact that China has more trade and investment ties with the United States, while Cuba has more trade and investment ties with Europe and Latin American countries. However this is because of the U.S. embargo on Cuba, and one should not decide on how "socialist" a country is based on U.S. foreign policy.]

[2] Named after economist John Maynard Keynes, whose 1936 book *The General Theory of Employment, Money, and Interest*, pointed out the possibility of economic crisis and the need for government spending to get capitalism going again.

[3] *Top Heavy: A Study of the Increasing Inequality of Wealth in America*, by Edward N. Wolff, Twentieth Century Fund Press, New York, 1995.

[4] For example, the wages of workers in the United States has historically been higher than other capitalist countries. The origins of the United States as a European settler state has meant that the relatively large amount of land taken from indigenous people has provided a (relatively) high standard of living for white farmers, and the reserve army of labor has had to come largely from immigrants and African Americans. The victories of mass struggle during the Great Depression increased workers wages, benefits, and government benefits. The high level of education required for more and more jobs increases the value of labor power to support a longer period in school.

[5] In 2000, right before the 2001 recession, the median household income in the United States was \$52,500. In 2007 the median household income was \$52,163 (adjusted for inflation). *Income, Poverty, and Health Insurance Coverage in the United States: 2008*, table A-1, page 29. From 2000 to the peak in 2006, corporate net operating surplus (the broadest measure of corporate profits, before interest expenses and taxes) rose from 9.2% to 11.4% of GDP, a 25% increase. When other forms of income from property (proprietors income and rent) are included, it came to almost 21% of GDP in 2006. Note that the total share of income from property and exploitation is even higher, since this figure does not include high salaries and benefits going to top managers and administrators whose pay comes from the surplus extracted from exploitation.

[6] The dates for recessions are set by the Business Cycle Dating Committee of the National Bureau for Economic Research (NBER). The historical dates can be found at www.nber.org/cycles/cyclesmain.html. Note that "The NBER does not define a recession in terms of two consecutive quarters of decline in real GDP. Rather, a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. For more information, see the latest announcement from the NBER's Business Cycle Dating Committee, dated 12/01/08." (quoted from the web site cited above).

[7] In 2002 the four largest breweries in the United States held 90.8% of the market (2002 Economic Census. Sector 31: Manufacturing: Subject Series - Concentration Ratios: Share of Value of Shipments Accounted for by the 4, 8, 20, and 50 Largest Companies for Industries: 2002. Row 427. Since 2002 concentration has increased as the single largest U.S. beer company, Anheiser-Busch, was recently bought by the Belgium-Brazilian giant Inbev. In addition the next two largest firms, Miller and Coors, have agreed to joint distribution of their beers.

[8] *Imperialism, the Highest Stage of Capitalism*, by V. I. Lenin, 1917.

[9] Foster and Magdoff, *The Great Financial Crisis*, page 54.

[10] See “Imperialist Globalization and the United States” By Steff Yorek and Mick Kelly for the National Executive Committee, Freedom Road Socialist Organization, 2001. <<http://www.frso.org/about/docs/glob2001.html>>

[11] Note that mainstream economics defines monopoly as a single large firm dominating an industry, and an oligopoly as a few large firms. The Marxist term monopoly capital would include both, as in both cases the capitalists make extra profits from reducing output and raising prices due to their control of the market.

[12] *Imperialism, the Highest Stage of Capitalism*, by V. I. Lenin, International Publishers, New York (1939), page 106.

[13] See FRSO: [National Oppression, National Liberation, and Socialist Revolution](#), 2004.

[14] Lenin referred to skilled trades workers as an “aristocracy of labor.” But the upper stratum now includes semi-professional workers, as well as some unionized industrial workers such as longshoremen. These newer sectors have a history of militancy to the point where it is no longer accurate to refer to the upper stratum of the working class as “labor aristocrats” that is the social basis for opportunism in the labor movement. See FRSO: [Class in the U.S. and Our Strategy for Revolution](#)

[15] In May 2010, the official unemployment rate was 15.5% for African Americans, 12.4% for Latinos, and 8.8% for whites.

[16] See National Income and Product Table 1.1.6. Real Gross Domestic Product, Chained Dollars (Billions of chained (2005) dollars) Seasonally adjusted at annual rates. Bureau of Economic Analysis, Department of Commerce.

[17] The 1970s were another period of economic stagnation, with four recessions between 1969 and 1982, and high rates of inflation. The United States could well be entering another decade of stagnation.

[18] The Federal Reserve Bank or Fed is the U.S. central bank. Its main function is to stabilize the economy by raising short-term interest rates to slow the economy and limit inflation, and lower them during recessions to try to limit rising unemployment. During this last crisis, the Fed also played the role of “Lender of Last Resort” in bailing out large financial institutions such as the AIG insurance company. However, almost all of the Fed’s interest rate hikes to fight inflation have contributed to a recession, while recently the low interest rates to fight recession have resulted in asset price bubbles, such as the late 1990s Internet Stock Market boom and bust, and then the 2003-2006 Housing Market boom and bust.

[19] The Bursting of the Housing Bubble and the Coming Recession, By Dean Baker. Truthout, 17 August 2006.

[20] Foster and Magdoff, The Great Financial Explosion

[21] The term “Third World” began in the 1950s to describe the colonial and semi-colonial countries of Africa, Asia, and Latin America as opposed to the “First World” of the imperial countries and the “Second World” of the European socialist countries. In the 1960s and 1970s the term was also used to describe oppressed nationalities in the United States.

[22] The Bretton Woods conference in 1944 planned out the post-World War II international monetary as a more flexible version of the 19th century gold standard where currency values were measured in gold. This was one of the last contributions of the economist Keynes to the capitalist system.

[23] The official unemployment rate for Detroit in January 2010 was 25.3%, more than twice times the national unemployment rate of 10.6% (both rates are NOT seasonally adjusted). The official unemployment rate understates the economic pain to workers by not counting people without jobs who want to work but didn't look in the previous month (discouraged and marginally attached workers), and those who are working part-time but can't find full-time work due to the economy. In January 2010 the alternative unemployment rate including these other workers was 18% (not seasonally adjusted). Bureau of Labor Statistics.

[24] “Breaking up the Financial Industrial Complex,” by David Weidner, Wall Street Journal, April 1, 2010.

[25] The United States is net debtor nation, that is, foreign-owned U.S. assets is are greater than U.S.-owned foreign asset to the tune of \$7.9 billion. One advantage that the U.S. has in borrowing from abroad is that the U.S. dollar is the reserve currency used to do international trade in, so that other countries need to hold dollars to finance trade. Federal Reserve Flow of Funds Accounts of the United States, Flows and Outstandings, Fourth Quarter, 2009, Table L.107, page 69.

[26] The U.S. Federal government debt held by the public was about \$8.4 trillion, or 53% of GDP (Gross Domestic Product, which is the total output of final goods and services in the economy, the standard measure of national production). With the annual Federal budget deficit running at about \$1.5 trillion, or 10% of GDP, this figure will rise significantly. Economists generally use the debt held by public, net of bonds owned by Federal agencies such as Social Security, as the standard measure of government debt. The total or gross U.S. government debt is \$12.9 trillion, or more than 80% of GDP. US debt from the U.S. Treasury at <http://www.treasurydirect.gov/NP/BPDLLogin?application=np> and GDP is from <http://www.economicindicators.gov>.

[27] The Greek/Euro crisis of early 2010 also shows the limits of the Keynesian response to the latest economic crisis where trillions of dollars of government stimulus (much larger relative to the size of the economy than the 1930's New Deal) were used to stop the downward spiral of capitalist economies. Countries throughout the Euro-zone and in Britain are now trying to cut their budget deficits, which will slow the recovery and possibly push it back into a deeper recession. The bailout of banks and capitalists who own Greek and other Euro-zone government bonds has meant severe austerity for Greek working people, especially government workers who are having their pay cut, taxes raised, etc. even as unemployment continues to rise. The growing movement in the U.S. government to "cut the deficit" is a call for more austerity for U.S. workers and poor people.

Domestic Political Report

Decline of American Power, Leftward Shift Define New Period

For the past three years, the conditions shaping domestic politics in the United States have been marked by the economic crisis, a qualitative shift away from the free market capitalism of Ronald Reagan on the part of the bourgeoisie, and a leftward political shift amongst the people. The massive economic and financial crisis, which began in December 2007, and the continuing decline of U.S. imperialism globally, have come together to judge the Reagan Era and its aftermath as a failure. The economic crisis swept from power the party of George Bush and brought into office the first African-American President of the United States--Barack Obama.

This set of qualitative changes is in part the foundation of and in part manifestations of a new period. It is this new set of conditions which sets the context for the peoples struggle against U.S imperialism.

A New Period after nearly 30 Years of Reaction

Nearly thirty years ago the election of President Ronald Reagan heralded the rise to power of a more reactionary section of the U.S. capitalist class and a shift to the right on the part of the ruling class as a whole. At the core of this shift was an effort by the ruling class to restructure monopoly capitalism in the context of its overall decline. The accompanying rightward shifts in the realm of politics were either direct outgrowths of the economic shift/restructuring, or associated attempts to unite a coalition amongst the people to support the more reactionary economic policies. An example of this would be the right-wing's campaigns of anti-LGBTQ policy initiatives to unite working class Catholics to support Republican politicians whose policies on labor law are even further opposed to their immediate material interests than the policies of Democratic politicians.

The list of attacks on working and oppressed peoples over this period of time is enough to fill several books. Ronald Reagan launched an all out assault on unionized workers and oppressed nationalities, beginning with the air traffic controllers of PATCO and further pushing the dismantling of affirmative action. These attacks continued through the administration of President Bush Sr. Then President Bill Clinton's continuing blows to the social safety net placed him and his Democratic Leadership Council in roughly the same political context as Bush Sr. The attacks continued all the way through the neo-conservative administration of President George W. Bush and Vice President Dick Cheney.

This assault on the working class and oppressed nationalities did not stop at the U.S. border. With Reagan, there was an escalation of the Cold War and a huge military build up. This was followed by the U.S. covert wars in Central America, armed interventions, starting with Grenada and Panama, then the first Iraq war, and the U.S. invasions of Afghanistan and Iraq.

Nearly three decades of U.S. domestic policy in this period was an effort to restructure the political economy of the United States in order to decrease the amount of the social wages going to the working class. This restructuring of the political economy was facilitated in part by imperialist globalization, [\[1\]](#) a weakening of the revolutionary movements and by the collapse of the socialist countries. For thirty years the basic program of U.S. domestic policy has been the dismantling of the social safety net put in place during the popular upsurges of the 1930s and 1960s, increasing privatization, changing the tax structure, and arranging environmental protection and trade rules to further reduce protections for the people and provide additional profits to the U.S. monopoly capitalist class.

With regard to this period of restructuring and imperialist globalization, in particular from 1989 through 2007, while U.S. monopoly capitalism appeared strong, in fact it was weak. The U.S. emerged as the dominant power after the fall of the Soviet Union, using its economic, political, and military might to dictate policies to other competitors and the countries it oppresses.

For the United States, the main instruments in the process of globalization were the export of capital in the form of direct foreign investments; leveraged control of foreign financial markets; U.S. domination of multi-lateral financial institutions (World Trade Organization/International Monetary Fund/World Bank); and of course military means.

As in the years before the Great Depression, relative stability gave way to instability; a bust followed the economic boom. The restructuring taking place now is a response to the long-term decline of U.S. imperialism that has been taking place since 1973.

In general, the Reagan and both of the Bush administrations represented the centrist wing of the Republican Party. This section of the party, characterized by the anti-tax and anti-regulation ideology of the biggest monopoly capitalists, was for a very long time successful at mobilizing a largely white, conservative Christian base using racism and

issues of "moral values." The success of this strategy began to crumble in the November 2006 midterm elections.

While the peoples' movements are growing in strength and impacted the Republican meltdown in 2006, one factor is unchanged--the bourgeoisie defines the situation and the debates. Nonetheless a general shift amongst the people to the center/left took place between 2004 and 2008. This shift was a response to the Iraq war, the Bush administration's criminal and racist response to Hurricane Katrina, the Iraqi prisoner and Guantanamo Bay torture scandals, the corruption between lobbyists and politicians, the obvious racism in the attacks on immigrants, and of course the collapse of the economy. Amongst the masses and a significant section of the ruling class, the idea that the free-market solves everything has been discredited in a very long term way. The people's movements, while not at their historically most powerful, are certainly on the rise. Overall there is a very favorable context for struggle.

There is a change of strategy by the imperialist bourgeoisie to rebuild and maintain its power in the context of both a long-term decline of U.S. imperialism and the failure to succeed in Iraq and Afghanistan. The decline of U.S. imperialism is not simply military but also economic. In the face of overwhelming crisis, the ruling class changed horses in order to save capitalism itself. This shift in strategy actually began towards the end of the Bush administration, signified by the appointment of Ben Bernanke as Federal Reserve Chief and principle adviser on the economic crisis, and then the appointment of CIA Director Robert Gates to run the military as Secretary of Defense. This shift in strategy resulted in the defeat of John McCain and the election of Barack Obama.

Recession and Financial Crisis Deal the Final Blow to Bush

In December of 2007, the United States entered a recession. The recession was triggered by a crisis of over production in a number of industries. Boom bust cycles of crisis are par for the course for capitalism but this crisis is different. This crisis is deeper and was coupled with a massive financial crisis. Bush and McCain, unable to break with the Reagan trickle down economic ideology responsible for the financial crisis and declining standard of living of the American worker, were seen as fiddling while Rome burned. The greatest economic crisis since the Great Depression of the 1930s has engulfed almost every major capitalist economy of the world.

The downturn in the economy is and will continue to be the driving force shaping our organizing for the foreseeable time. While the scope of this document is limited to a 3-year time frame, the fact is the impact of this crisis and the restructuring of the economy that will come in its wake will be felt for decades. As of April 2010 it is possible that the "Great Recession" may be over, at least in statistical terms. There is an academic discussion of recovery, based on a return of corporate profits, principally in those sectors like finance and auto that were bailed out by taxpayer dollars. Let us be clear though, a recovery for the capitalists means almost nothing for working people. The official unemployment is at 9.7%; of course this rate does not count those not receiving

unemployment that have given up looking for work. Unemployment and underemployment together are estimated to be at 25%.

Even if the recession is over for the capitalist class, the economic problems that come with it will last for a very long time. We expect to see real unemployment well beyond 10% [2] for the next several years. In this recession 5.5 million blue-collar jobs were lost. The productive forces that these jobs were based upon are destroyed and are not coming back.

When the housing bubble burst, the principle asset of the middle and upper sections of the working class was devalued considerably. Rates of housing foreclosure are still nearly as high as in the first year of the crisis. Since homeownership is the main savings and retirement plan for much of the working class, this loss of housing will have implications for impoverishment two decades from now when these same people face retirement.

It was the housing bubble that allowed “consumer spending” to grow at an exponential rate. With the collapse of home values, credit availability will continue to be tight for most families.

The use of credit rules the lives of the working class and amounts to taking out a loan against workers’ future earnings. It encourages working people to become entrapped and wraps people tightly into the system. The level of indebtedness continues to grow and is becoming increasingly difficult to sustain. This will impact both the growth potential of the U.S. economy and also the standard of living of the U.S. working class.

The economic crisis does not injure the entire class evenly. Due to national oppression, African Americans and Latinos are hit disproportionately with official unemployment rates 1 ½ to 2 times the rate for whites. The real unemployment rates are higher for each of these groups since those who are underemployed and permanently unemployed are not captured in these figures.

The Election of Obama Sets New Conditions for the Struggle

The election of Barack Obama as the first African American President of the United States is a contradictory event. In part the election of Obama was a referendum on race in the United States, a referendum that came out surprisingly positive considering the extent to which the Republican Party utilizes racism to mobilize its own base. While the ruling class defines the debates and dictates the direction of the country, Obama’s election represents a rejection of the Bush administration policies and a desire amongst the people for a progressive agenda from the government. Immediately following his election there was a sense of optimism and a feeling that change is possible. This is a very good development after so many years of Bush. During the Bush years there was a pervasive sense that change was not possible. If hope has a downside it is a strong desire amongst the people to give Obama a chance to undo the bad deeds of Bush.

This sentiment is particularly evident amongst African Americans, but it exists to varying degrees amongst all sections of the people.

The initial enthusiasm amongst the people for Barack Obama has worn off to some extent. There are a number of different dynamics, which play out more strongly amongst some demographics than others. (1) The party in power usually loses popularity in the midst of an economic crisis. (2) In order to rescue capitalism, Obama invested huge amounts of money creating the largest state-dependent sector of the economy in U.S. history. This includes the unpopular and massive bailouts for the financial sector. This will lead to large deficits in the future. There is a political truism that deficits are bad. This makes a section of people nervous, though this nervousness is largely driven by the right wing. (3) The Obama administration continues to escalate an increasingly unpopular war in Afghanistan. (4) Many Obama supporters hoped for a more substantive health care reform program than what passed. They are disappointed and more openly critical because it didn't go far enough. (5) There is real anger amongst immigrants, Mexicanos, Chicanos, and Central Americans in particular about Obama's failure to support immigration reform.

Barack Obama is a step forward over George Bush. That said; Obama is a representative of the imperialist bourgeoisie. While he is not from the Black Liberation Movement his election is a source of great pride in African American communities and throughout the Black Belt South. African Americans are not alone in their joy either; other oppressed nationalities that suffer racism and discrimination - Chicanos and Mexicanos, Puerto Ricans, Native-Americans and Asian Americans are sharing the moment. Obama's election represents a blow against racism and white chauvinism.

Obama's election most clearly represents a shift in the strategy of the ruling class. The ruling class summed up that the unfettered rule of the free market and neo-conservative policies in general led to a disastrous financial crisis at home and the near destruction of the legitimacy of U.S. imperialism internationally. It is Obama's task to rebuild the stature of U.S. imperialism. There are some changes. In terms of economic policy, President Obama moved from a free-market approach under Bush to a much greater role for the state. The U.S. ruling class adopted a new form of Keynesianism that emphasizes bailing out big banks and corporations, instead of bailing out the people by building up the infrastructure or putting money in the hands of working people.

The Obama administration continues to take up policies that serve the banks, insurance companies and corporations with not nearly the kind of immediate forms of relief for working people that FDR enacted to save capitalism in the 1930's. The difference is that Roosevelt had the task of saving capitalism from itself and from the peoples movements. In the absence of a strong people's movement like the 1930's, capital is using working peoples money to bail itself out and giving very little help to working people.

Much of the Obama administration consists of ex-Clinton appointees. The extent to which Obama has different policies than the Clinton White House is a reflection of a

change in the ruling class consensus. If there is a significant Republican victory in the midterm elections in November 2010, it is likely that Obama will shift to the right, as Clinton did in the period of the Republican win in 1992. The bourgeoisie is not monolithic; there are different forces with different interests. The center of gravity will still be moving away from unfettered free market policies.

There is a great desire by the right wing to regain their power. They carry out constant, vicious, and racist attacks on the President in the media and amongst their conservative Christian base. The neo-conservative section of the Republican Party supports the "Tea Party" movement to give an impression of a social base. They have their base convinced that they are now living in a "socialist country". This is actually a reflection of their weakness and a last ditch attempt to regain some of their power in the next elections. There is a dangerous rise in militia type activity and we should remain vigilant to attacks and hate crimes carried out by these groups.

Revolutionaries need to maintain a balanced view of the Obama presidency, remembering what preceded it. It would be a left error to say that there is no difference between Bush and Obama. We need to criticize, and at times even attack (for example his escalation of the war in Afghanistan) Obama's policies, without getting personal.

The Tea Party movement is not just reactionary but also blatantly racist. Short, three word anti-Obama slogans do not work in this general political context, unless we want to be mistaken for "tea baggers".

We can distinguish ourselves by responding to some of the right wing nonsense, and still being critical of Obama's policies. We should put our politics front and center, but our approach needs to be thoughtful and clear.

It is unlikely that there will be a serious presidential candidate in the 2012 election who is not attached to the bourgeoisie. Assuming that is the case, we will work to defeat the main danger. It is likely this will mean working for the defeat of the Republican nominee and seeking to take advantage of contradictions in the ruling class.

The Peoples Struggle

Conditions for the peoples struggle are more favorable than they have been in 30 years. The political center of gravity has shifted to the left. In his election night victory speech, President elect Obama related that people need to get active and organize the change they want to see. We can build on this sentiment in order to build our movements.

The economic crisis will not be over for working people for the foreseeable future and economic struggles will continue to take center stage. In this crisis there is plenty of opportunity, and already many positive examples to look to--for how to pattern our work.

Building a Fighting Workers Movement

The organized section of the working class has a great historic importance. However today the union movement is much weaker, with unionized workers representing only 12.4% of all workers. Unions have taken a beating over the last thirty years. Devastatingly, union bureaucracies remain focused on electing Democrats and cooperating with management. For the past 20 years, union leaders focused on a service model of organizing that does not challenge the status quo. The union bureaucrats put their big hopes in Democrats passing the Employee Free Choice Act (EFCA)--legislation that would make organizing unions simple. In the hands of class-conscious militants in the labor movement, EFCA was potentially an effective weapon. However, EFCA in the hands of the labor bureaucrats does not take on the bosses in the same way that organizing workers and leading effective strikes does. We need class struggle trade unionism. As it turns out, right-wing Democrats in Congress derailed even this minor reform on behalf of labor. Despite the difficult climate, workers continue to stand up and fight back. The task for class-conscious workers is to put unions on a class struggle basis.

Excellent examples of this are the heroes of UE Local 1110 at Republic Windows and Doors. Their occupation of their factory made national headlines as an example of how workers money was being used to bailout the banks while workers were thrown on the street. The Republic Workers fought strong and hard and were able to get what was owed to them and assist in getting the factory restarted with another buyer.

Likewise the workers of the University of California system are not sitting back and accepting layoffs, wage cuts, and furloughs without a fight. They have united with students, graduate students and faculty to organize walkouts, demonstrations, and occupations of administration offices, to demand a different solution to the California budget crisis besides throwing it onto the backs of working people. Likewise Philadelphia transit workers chose to strike for better wages and against cuts despite the economic climate.

These examples are important because they show what can be done with good leadership on a local level and highlight what the trade union bureaucrats have been unwilling to do on a national level. That is, to assert that workers interests are not the interests of the bosses. Faced with cuts and attacks, working people cannot afford to duck and cover. Our only hope for survival is to organize groups of workers who are willing to fight and to do so creatively, intelligently and with all the tools at our disposal. The workers of Republic Window did not allow themselves to be boxed in by labor law and they had an important victory.

The extent to which our unions can be transformed into organizations for class struggle is the same extent to which they will obtain success. The union bureaucracy cannot be relied upon to have this perspective or to act upon it. Where union leaders do, they are part of the struggle, where they do not, they will have to be struggled against.

There are currently two national labor federations, the AFL-CIO and Change to Win. Their model of changing conditions for the class by changing union density has failed.

The degeneration and collapse of Change To Win just seven years after its split from the AFL-CIO is further proof that the terms of debate put forward by the bureaucrats is fatally flawed. Workers will join unions when they are effective. Currently, strikes are at their lowest level in history. Until the strike is reclaimed as the powerful weapon it can be, unions will not be effective. Strikes require militancy, mass mobilization, and resources.

There continue to be important grassroots pockets of resistance to capitulation by union officials in the face of the economic crisis. Groups like Soldiers of Solidarity represent the militant minority within the organized section of the working class.

Battling Budget Cuts and Foreclosures

The crisis is not just a crisis of unemployment. Thirty years of tax cuts to the rich have decimated state coffers. Forty-seven states faced massive budget deficits last year and we can expect more of the same and worse in the coming years.

These deficits are leading to cuts which are devastating public education and public services in general. The social safety net was slashed at the federal level under Clinton and a five-year life time limit on public assistance was imposed. The states are raiding federal public assistance dollars to pay for other programs. As need increases for things like food stamps and public assistance however, the states find themselves out of money. The lower section of the class, disproportionately oppressed nationalities find themselves literally out on the street, particularly since many people find that they have run out of time on the five-year limit, without hope of finding a job.

The housing foreclosure crisis preceded the economic crisis and will likely march with it to its end. At first foreclosures were focused on the sub-prime loans that were designed to fail, including landlords who went into foreclosure as their dreams of making big money “flipping homes” crashed and burned. The second wave of the foreclosure crisis is happening to those running out of their unemployment benefits, and unable to stay in their home. Foreclosures are ripping apart communities and throwing renters, including those who are paid up on their rent, into the street. Some cities in Michigan, with square miles of abandoned homes and neighborhoods are moving to shrink the areas they provide city services to, bulldozing the empty homes and downsizing the area of their cities. The small federal mortgage assistance program is ineffective at stemming the tidal wave.

Evictions due to foreclosure are not inevitable though. They can be resisted; there is an excellent example of this from Minneapolis. Rosemary Williams and a strong group of community supporters waged a six-month battle to resist the foreclosure on and eviction from her home. She has become an inspiration to others in her city and across the country, with several others following in her footsteps.

Economic Struggles and the Possibility to Build National Campaigns

Economic struggles at this time tend to be local or statewide. Nevertheless, the fight back can be national or even international. To wage effective campaigns, activists can and should leverage resources from all over the country to act in solidarity with a local struggle. These national campaigns put forward winnable demands and wage real campaigns. At the same time, the capitalists will use every resource they have--money, lawyers, and dirty tricks--to not meet our demands. The Network to Fight for Economic Justice (NFEJ) is proving to be an excellent way of putting this strategy into action. For communists the task is to win all that can be won, raise the overall level of struggle and organization, and win the advanced to revolution.

The Fight Against National Oppression Continues

The United States has its first African American president. Barack Obama was born in Hawaii while the Civil Rights battles of the '60's were being fought. Those who fought those battles and those born immediately afterward had a hard time believing they would see an African American president in their life times. For African-Americans this is a point of pride. Barack Obama, whatever his political nature, represents the aspirations of the African American masses in particular and oppressed nationalities in general.

Given the Right wings racist attacks against him, it is not surprising that the motivation of all critics is questioned. So what does this all mean? Does this election mean a fundamental change to the national oppression so intertwined with monopoly capitalism? Is the election of Obama the defeat of racism?

Of course not, the majority of oppressed nationalities and African Americans in particular have higher rates of unemployment, less wealth (in the form of home ownership, retirement accounts etc.), poorer health care, underfunded and understaffed schools, and face police harassment and brutality on a regular basis. These facts will not and cannot change as long as U.S. monopoly capitalism rules. Because Obama does not owe his position to the African American or other national movements, many of his policies will not even attempt to make a dent in these issues.

The United States has the highest incarceration rate in the world at 0.7% of the total population; this rises to over 1% for some states in the Black Belt South. One in three Black men aged 20-29 is under some sort of correctional control--either incarcerated, on probation or on parole. As the unemployment rate for this same group goes up to over 20% the state will increasingly turn to incarceration to maintain control. Police brutality and murder by the police will continue to be important issues as the crisis continues.

Because of national oppression and racism the impacts of economic crisis are uneven. Under the administration of the first African American president, the standard of living

for African Americans will decline to a worse state than during the Bush administration. This decline points clearly to the national oppression endemic to U.S. monopoly capitalism

The movement for Black Liberation has been in ebb for some time. The election of Barack Obama will have the tendency to keep it there. The message of the Black bourgeoisie at the moment is, “we do not need to be in the street because we have a place at the table”.

With its own dynamic, the Latino population--mainly Mexican nationality, grew quickly over the past ten years, surpassing African Americans as the largest oppressed nationality grouping in the U.S by more than 7 million. This shift took place in 2003, and Latinos are asserting themselves as a political force. This is seen most clearly around the immigrants’ rights movement, but also in political races, and in fact in the election of Obama when many conservative Latino's broke from the Republican coalition and helped him into office. That said, there are many differences amongst Latinos as a grouping that make it difficult to play the centering political role African Americans have played in the past.

Immigrant Rights

The struggles of the Mexicano, Central American, and Latin American peoples in the United States are struggles for full equality while the Chicano nation’s demand is for self-determination. It is very important that we put forward the demands of the immigrant’s rights movement including legalization of the undocumented, an end to raids and deportations, and an end to militarization of the border to name just a few. The immigrants’ rights movement is a leading edge of struggle.

Immigration reform is in a very uncertain place. Obama will try to pass immigration reform, though probably without putting a lot of political capital into the project. This lack of support for immigration reform from the Democrats is in part due to prioritizing health care reform. Nevertheless, there is less need for the immigrant “reserve army of labor” due to the economic crisis (recreating a “reserve army of the unemployed” domestically) and there is an increased ability to outsource production. It is unlikely that there will be any immigrants’ rights legislation before 2011.

Representative Luis Gutierrez introduced the “Comprehensive Immigration Reform for America’s Security and Prosperity” or CIR-ASAP in December 2009. This bill was backed by the Congressional Latino, Asian and Pacific Islander, Black and Progressive caucuses, and is much better than the old STRIVE Act. CIR-ASAP proposes to expand legal immigration, offers legalization of the undocumented with fewer hoops, rolls back some of the worst ICE policies--such as the 287(g) program, and does not have a guest worker program. It is relatively better than the STRIVE Act.

However, CIR-ASAP is now off the table, and much more repressive proposals are being promoted. Such as the Schumer-Graham plan that emphasizes enforcement,

does not abolish 287(g), and includes a guest worker program. The other bad news is a proposal by McCain and Kyle, meant to rally opposition to immigration reform, which is strictly focused on enforcement and includes no measures for legalization.

The biggest danger within the immigrants' rights movement is whether the masses of people are persuaded by leaders claiming "something is better than nothing" and "we have to follow what the Democratic politicians tell us to do". This will only lead to immigration "reform" that caters to big corporations and brings down more attacks on immigrants. One need only look at what happened to health care reform, where big health insurance corporations fought to make the law ensure their profits instead of improving the health care needs of working people.

A Changed Role for the Anti-War Movement

In 2007 the U.S. War in Iraq was the leading edge of reaction, and the masses were in motion against the war. This is no longer the case; the economic crisis is the center of motion for the foreseeable future. In addition, there is a sense that the Iraq war is over despite the plan to leave U.S. troops in the country for years to come. This makes pushing for complete and immediate withdrawal difficult, but still absolutely necessary.

The war in Afghanistan is still losing popularity. One recent poll found 58% of Americans opposed to the war. This is the largest majority opposed to the Afghan war since the US invasion in late 2001. Still, the momentum among politicians in both parties is in favor of continuing and even escalating the conflict.

Official reports say that 135,000 troops are in Afghanistan in June 2010. Casualties will mount making the U.S. war less popular. The anti-war movement shrank considerably in the last 18 months, but it could grow again quickly in the context of a large number of casualties in Afghanistan. It will continue to be an area where we can challenge imperialism and the US ruling class, leading struggle that builds a mass movement to demand peace and justice, winning people to socialism and recruiting more communists.

Student campaigns for education rights

Students play an important role in social change in this country and will continue to do so in the coming period. Students for a Democratic Society (SDS), a good example of an organized force of students, are playing a leading role in campaigns for education rights around the country. These campaigns fight against the budget cuts to University's and also the decision of administrators to raise tuition and layoff staff. These fights are taking on greater levels of militancy and are important for making change and shaping debate.

Gay Marriage and the Fight for Democratic Rights

The GLBTQ movement waged an important battle for democratic rights in the past period. This battle focused on the issue of gay marriage. There were both setbacks and advances in this struggle. With the November 2009 defeat in Maine, 31 states stopped marriage rights for LGBTQ people. However five states (Connecticut, Iowa, Massachusetts, New Hampshire, and Vermont), as well as Washington, D.C., and the Coquille Indian Tribe in Oregon, legalized same-sex marriage. Conservatives continue to use gay marriage to try to galvanize their base and it seems to have worked in California, where Proposition 8 barred further same-sex marriage. This defeat also galvanized a broad movement of GLBTQ and straight people to work for marriage equality. There will be a reassessment while the movement looks at its next steps. The passage of the Matthew Sheppard bill is important and good but is seen by many as a token gesture. The military's policy of LGBTQ exclusion, called "Don't Ask, Don't Tell" seems on its way out the door in 2011.

Lead and Build an Upsurge

As a group Freedom Road Socialist Organization generally has a positive outlook. If you look back at the 5th Congress report you will often see the phrase, "the conditions for struggle are excellent".

The conditions and terrain for struggle are qualitatively changed for the better. The potential for major upsurge exists in the 3-5 year period as more people become experienced in local movements, and those disillusioned by the lack of real change also get active. There is anger about the economy, about increasing war casualties, about more spending and troops in Afghanistan, and the potential for future wars.

The main thing is that we are in a period where, if we build it the people will come. In the coming period the left will continue to grow, and we need to avoid the "left" error of seeing Obama as no different from Bush, and the "right" error of substituting the progressive aspirations that people have with the notion that Obama himself is a progressive. If we correctly balance these two aspects, not only can we build strong and lasting peoples struggle but revolutionary organization to a degree not seen in the recent past.

Endnotes

[1] The term "globalization" originated in bourgeois academic circles. It can serve to cover up and confuse the issue of Imperialist exploitation of the Third World. Imperialism is monopoly capitalism. Where the term globalization or imperialist globalization is used in this document it should be understood as a general, popular, description of imperialism's development in the current period including the transfer on a larger scale than in the past of the means of production to the oppressed nations with the accompanying increase in exploitation and the corresponding implications for the working class and oppressed nations within the borders of the imperialist countries.

[2] November 2009 the official unemployment rate stood at 10.2% with the functional unemployment rate (factoring in the underemployed and those who have stopped looking) estimated at 18%

International Situation

Introduction

The world has changed, and the pace of change is accelerating. From the mountains of Colombia to the jungles of the Philippines to the streets of the Middle East, and in the cities and town across the United States and Europe, something new has come into being. The camp of resistance is growing and monopoly capitalism is in decline. The principal contradiction in the world today is between the peoples of the Third World(1) and imperialism. The U.S. is the principal imperialist power in the world today and as such it is the main danger to the world's peoples.

Three years ago, we stated that we are “entering a new phase in the overall decline of U.S. imperialism.” Reality has confirmed that analysis. The economic crisis, which has plunged tens of millions into deeper poverty and brought untold suffering o the world's peoples, has weakened the power and prestige of the imperialist countries and the capitalist system itself.

The “war on terror” launched by the Bush administration was a dramatic attempt by the rulers of the United States to counteract the long running decline of Wall Street's empire, by using military means. It ended in a series of defeat and stalemates, causing the phrase “war on terror” to be quietly dropped from the Pentagon's lexicon The result is that on every continent, the U.S. finds itself struggling to find the methods and forms to maintain its domination, in the context of a declining ability to do so.

The political authority of the United States inside international institutions and on the diplomatic front is increasingly being disputed. Today, the US is forced to acknowledge the existence of other surfacing powers – such as China, India, Russia and an alliance of progressive regimes in Latin America.

Throughout the era of imperialism (monopoly capitalism), where the world has been divided up by the advanced capitalist countries, there are four basic contradictions at play: 1) between imperialism and the peoples of the oppressed nations, 2) between the imperialist powers, 3) between the working class and the capitalists and 4) between socialism and capitalism. While this is a general description of things as they have been and are, it's important to see what is new and developing in this overall context.

For example, while it is a constant that the contradictions among the “great powers” sharpen throughout the era of imperialism, in the framework of retaining or expanding their respective spheres of influence, the imperialist powers at times collude with each other to weaken the socialist counties (e.g. U.S./Japan hostility towards Democratic

Korea), to oppose national liberation movements in the Third World (e.g. U.S./European efforts to criminalize Communist Party of the Philippines and the New People's Army), and to weaken the power of the working class in general (e.g. an aspect of many trade agreements).

One can make the point there is always contention within the environment of imperialist collusion, but at times this is a secondary aspect, for example, in the debates going on in U.S. and European military circles over Afghanistan.

The bottom line here is that while understanding the general features and contradictions of imperialism is extremely helpful in making sense out of things, it is vital to grasp the particulars that make up this general picture. This is the only way that it is possible to arrive at a correct estimate of the balance of forces on a world scale, the overall motion of the basic contradictions, and an understanding of how the international situation is likely to impact on the situation here in the U.S.

A final point here is that we approach our evaluation of the international situation in a partisan way - from the standpoint of working class internationalism. Setbacks and defeats for imperialism help working and oppressed people in the United States, as they weaken our common enemy, bringing us closer to the day when we are free from the rule of the rich and powerful.

Change and continuity

Since the emergence of the United States as an imperialist power, the essence of American foreign policy has always had a remarkable degree of consistency - the basic aim was, and is, to build an empire extending across the globe. The underlying motive of empire is to systematically exploit the labor and the loot the land and natural resource of others in order to enrich the monopoly capitalists who rule the United States.

That said, the election of Barack Obama means that there will be elements of continuity with past U.S. foreign policy as well as some important changes. Both elements are shaped by key events in the recent past.

Iraq and Afghanistan

The two key events to grasp are the decisions by the Bush administration to invade Iraq and Afghanistan. In both cases, overthrowing those countries' independent governments, attempting to install puppet regimes, and then failing to suppress popular insurgencies which aim for liberation from occupation. No doubt there are many other important focal points of struggle in the world, ranging from Cuba to Nepal, but Iraq and Afghanistan have special significance.

Iraq and Afghanistan represent something where quantity adds up to a qualitative change. The U.S. is intervening in many places, directly and indirectly. But in Iraq and

Afghanistan, imperialism, following the lead of the U.S., is undertaking large scale armed confrontations against the forces of national liberation.

In Iraq, the independent, nationalist government of Saddam Hussein presented a direct challenge to the dominance of imperialist countries over the oil-rich Middle East. In Afghanistan, the US's interest stems from the desire to occupy a strategic base in Central Asia, where there are large deposits of oil and gas, and to contain the rising influence of Russia, Iran and China.

The reason that there are still more than 100,000 troops in Iraq is because the puppet government put in place by the United States can not remain in power without them. The Bush administration said that the occupation of Iraq would be some sort of cake walk. Instead they found that the Iraqi people had the courage and capacity to wage an heroic struggle for national liberation. Time and time again the Bush administration's agenda, domestic and international, floundered on setbacks in Iraq. While the people of Iraq have not yet achieved victory, time is not on the side of the U.S. occupation. (2)

In Afghanistan the story is the same. Using the events of September 11, 2001 as a pretext, the government of Afghanistan was overthrown in a military crusade. A puppet government was established in Kabul. And a popular insurgency took root to end the occupation.

Afghanistan and Iraq are critical because they both represent major set backs for U.S. imperialism. (3)

The large scale resistance that is being waged by the people of Afghanistan has increasingly confined foreign occupiers to the big population centers and has created an unending crisis in the occupation regime. It has left U.S. foreign policymakers and the Pentagon in a difficult situation, with no easy solutions.

The days of Bush, when U.S. policymakers could seriously debate invading Syria, or having Israel do it for them, are over, at least for now. The U.S. is not in a position to fight another major war. So Washington finds itself in a bind. Victory is impossible and defeat is unthinkable. The imperialists have picked up a rock only to drop it on their own feet.

While the wars in Afghanistan and Iraq do not, in and of themselves, settle the issue of the balance of forces on a world scale, they serve as indicators of the place of U.S. imperialism for the immediate period ahead.

Capitalist Crisis

There is a consensus among U.S. policymakers and in ruling-class think tanks that the crisis that has engulfed the capitalist world is of real importance and will weaken the power of imperialism.(4) Of course they do not put it in quite those terms, but when they speak of a decline of western "influence" and economic "threats," that is exactly what

they mean. On every level, from the military to the ideological, the capitalist crisis serves to limit their options.

On the ideological and political level, the model of privatization, free markets and no state intervention is basically dead. Governments that are propped up by one or another imperialist power find themselves under pressure from within and without. And in a practical sense, the centers of imperialism do not have endless resources and the capitalist crisis means they have less to work with - so when they pick and choose their fights, they do so from a weakened position. And, no foreseeable changes on the economic front will make for a qualitative change in this situation over the next few years.

Current Situation

McCain was defeated, and Barack Obama was elected in part because people rightfully wanted change, here at home and everywhere else. However, the place where the least change will be seen is in the sphere of how the United States relates to the rest of the world, especially the Third World. This is not because the corporate elite or the U.S. government is running on auto pilot, unable to consider any meaningful alternatives. The problem is much more fundamental. We live a capitalist country where the largest of corporations and a class that has the most wealth has the most power. So the framework which is used to analyze investment patterns, how issues of war and peace are decided and foreign policy serves those wealthy and corporate interests. There is never a real debate about ending U.S. domination abroad. The false idea projected by the ruling class is that everything from U.S. corporate investment to U.S. military bases abroad somehow benefits those who are dominated.

Because there is a consensus in the ruling class, for now, that Afghanistan cannot be "lost," President Obama will continue to escalate the war there. Not only does Afghanistan have a strategic importance for the imperialist powers, the political impact of a defeat would be immense. And the strategic importance transcends the relative importance South Asia - i.e. there is a general view among the elite that the war in Afghanistan cannot end in defeat without endangering the U.S. position in the world.

Likewise the occupation of Iraq will continue. And the stakes are much higher than Afghanistan. The rulers of the United States cannot cede Iraq to Iraqi patriots or to some other power without endangering the U.S. domination of the Middle East as a whole - and its position as the leading imperial power.

There will be no significant change in the US occupation, although the rhetoric might be different from the Bush administration. Instead the US will continue to have its own military bases in Iraq and will use the puppet government army to oppress the Iraqi people. "End the US Occupation of Iraq" needs to continue to be an important demand of the anti-war movement in this period, regardless of the focus on Afghanistan and the President's claim that he is starting to end the war.

Stepping back and looking at the U.S. relationship with the Third World, in general there is a striking continuity with the policies of the Bush administration, with some important nuances. One way to put this is that there will be more carrots, and less sticks, but sticks in general will be the main thing. For example the U.S. is on a collision course with Iran, and “talks” or diplomacy will not change this. It is a question of balance of forces in the Middle East and what needs to be done strategically to maintain U.S. domination. Another example is Colombia, where the Pentagon is expanding its presence.

Of course the U.S. or its surrogates don’t have an unending supply of sticks with which to beat others, meaning that given the occupation of Iraq and Afghanistan, it would be very hard to launch and handle a war of a similar or greater scale.

Many welcome the emphasis that the administration has placed on diplomacy and “talking things out.” Diplomacy is simply another method to obtain things, and it is self-evident that in places such as Afghanistan or Somalia, the U.S. relies on force and will continue to do so. Force can be used to compel and money can purchase ‘friends.’ For the United States, the goal of diplomacy is to maintain an empire. The Bush administration played with the idea of overthrowing the anti-imperialist government of Syria. The current administration’s talks with Syria have the goal of splitting that country off from the other progressive and anti-imperialist forces in the region. The goal of maintaining U.S. influence over the region is the same as Bush’s or Clinton’s, or depending how far one wants to go back, Eisenhower’s or Truman’s.

U.S. military strategy is being reshaped. Gone is the cornerstone of fighting two conventional wars at the same time. The main stress is now on counter-insurgency. The formulation being used in the Pentagon is that we deal with the current situation while preparing for the future. And the future includes maintaining a big navy, for purposes of “force projection” and maintaining access to shipping lanes.

“Multilateralism” is in vogue and it is simply a way of describing collusion between the imperialist powers. The U.S. has had long periods of going it alone and long periods of acting in concert with other imperial powers - depending on time place and conditions. Contention is absolute and collusion is relative.

It is not helpful to describe agreements that provide for U.S. domination of Third World as “multilateralism.” For example the Pentagon’s Proliferation Security Initiative, which allows for the boarding ships to hunt for “weapons of mass destruction,” is in the main a mechanism to project U.S. power. It is also used to interfere with the ships of, or leased by, Democratic Korea.

Concerning the Obama administration’s policy towards the socialist countries, it seems likely that there will be a return towards the policy of “peaceful evolution” which means relying on economic ties, along with political and cultural relations to help create a climate for the destabilization, and eventual overthrow of socialist governments. The exceptions being the contradiction with Democratic Korea, which has its own dynamics

and China, where the U.S. hopes for and promotes “peaceful evolution” while actively preparing for a military confrontation in the decades to come.

The economic crisis has also increased economic tensions between the United States and China. The United States has stepped up its scape-goating of China, in an attempt to blame China for the high unemployment in the United States.

Europe and Japan, competing centers of Imperialism

Bush’s post 9-11 offensive was mainly aimed at the Third World but also included radically stepping up contention with Europe. As the offensive ended with defeat and exhaustion, the U.S. has returned to a more multilateral model.(5)

The other side of the issue is developments in Europe and Japan. Here the center of gravity is also opting for a multilateral approach. For example, European complicity in the occupation of Afghanistan will not stop anytime soon.

European economic integration is facing new challenges created by the economic crisis. There are growing tensions within the Euro-zone. Those countries hardest hit by economic crisis, such as Spain, are running large government budget deficits and need lower interest rates and a cheaper Euro to help stimulate their economy. At the same time Germany and others less affected by the crisis want smaller government budget deficits, higher interest rates and a strong Euro.

Many of the new members of the European Union in Eastern Europe are being hit hard from a fall in their exports to western Europe, falling remittances from workers who moved to western Europe, and tighter credit from western European banks. The IMF and western European countries are forcing harsh austerity measures on eastern European countries, in contrast to the deficit spending in the west. This is leading to growing protests and opposition to capitalism among the people.

It is not likely that the Euro can seriously compete with the dollar on a world scale in the period ahead. The issue is not the valuation of respective currencies, but rather that the U.S. is able to sell its debt with Treasury Bonds. Europe as a whole cannot. Instead this falls to all the respective individual central European banks, which have widely different policies, rates of maturing and uneven liquidity. This means that the Euro will not replace the dollar as the world currency any time soon and the prospect of an integrated, unitary European economy now appears to be a more distant goal than it seemed three years ago.

European unity is following the lead of Germany, the largest economy on the continent. Popular resistance to European integration, for example, votes to reject joining the European Union, are a good thing for both the peoples of Europe and the peoples of the Third World, as such resistance tends to weaken imperialism.

Britain is somewhat different, insofar as it is historically and at the present time much more attached to U.S.

There are some other trends in Europe worth noting. One is that the class struggle continues at a high level; for workers in the United States it is something we can learn from. Another is that racism and national oppression directed at national minorities from former colonial positions is on the rise (for example, the oppression of the Algerian national minority in France).

In Asia, Japan has attached itself to U.S. imperialism, playing a similar role to Britain. It shared strategic objectives with the United States to contain China and destroy socialist Korea. In the 1980s Japan's rise as an economic power fueled an ambition to create an Asian capitalist bloc and have the Japanese yen be a major international currency like the U.S. dollar.

However the aftermath of the stock and real estate boom created an economic crisis in Japan in the 1990s with similarities to the crisis in the United States today. Japan spent more than ten years in economic stagnation, followed by a weak recovery based on exports. Japan's economic weakness and China's growing economy is affecting both Japan's and the U.S. desires to dominate the rest of Asia.

Former Socialist countries, the USSR and in Eastern Europe

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. 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 went 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 intervention in Afghanistan and the conflict with Iran are key elements of this strategy.

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.

From the standpoint of understanding the international situation there are some important developments that need to be noted, especially in some of the more developed former socialist countries like Russia, Poland and the Czech Republic.

In the case of Russia, the continuing political rise of Vladimir Putin is the reflection of changes in Russia's economic base. In Russia today, there is a rising capitalist class that has both comprador and national aspects. This means that Russia has some capacity to act independently of the main imperialist centers.

As for Poland and the Czech Republic, their rulers have shown some capacity to utilize contradictions among the respective imperialist powers.

In all the former socialist countries, construction of a Marxist-Leninist movement and new Communist Parties that fight for the re-establishment of socialism is an extremely positive development. In the face of serious difficulties and, at times, heavy repression, they are standing firm. We owe them our support and solidarity.

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 U.S. imperialism has been the reversion to what resembles the earlier form of direct colonial rule, as with the occupations of Afghanistan and Iraq.

Objectively, the countries of the Third World are at the center of the revolutionary process and the gains made over the past period are remarkable.

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 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 expect there will be some differences between the current administration and the former on the issue of Palestine. A "two state solution" will now have a lot more emphasis, as there is a consensus among U.S. policymakers that if this does not happen sooner, it will be impossible later. This means there will be more contradictions between the administration and the forces that dream of a "greater Israel."

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. It also showed that the patriotic and progressive forces of Lebanon are an extremely important factor in the in building the camp of resistance to imperialism and Zionism.

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 struggle in Palestine will further destabilize the puppet governments which are unable and unwilling to confront Israel.

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.

In evaluating the situation in the Middle East, Iran is of real 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.

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, and oppose the U.S-Israeli nuclear monopoly in the Middle East. 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. or Israel widen their 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 principal contradiction is at that time, focusing on the battlefield that most strongly serves to weaken U.S. imperialism.

Latin America and the Caribbean

Latin America and the Caribbean have long suffered under the yoke of U.S. imperialism. Since the Monroe Doctrine of 1823, 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, like the World Trade Organization, the International Monetary Fund and the World Bank.

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 U.S. has dominated Haiti through both military and economic policies for almost a century. The 2010 earthquake merely provided the U.S. with an excuse to increase its foothold in the poorest part of Latin America. The U.S. efforts are focused on maintaining its control over Haiti and propping up its puppet government rather than on offering meaningful humanitarian relief.

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 and the U.S. is now talking about setting up more military bases. 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 part of South America. This includes the progressive and patriotic governments of Hugo Chavez in Venezuela and that of Evo Morales in Bolivia. The elections of social democratic or left-leaning governments of the Sandinistas in Nicaragua, Ecuador, and the FMLN of El Salvador amount to a rejection of the U.S. and reflect the dissatisfaction of the masses of people. The spread of this process to Central America pulled Honduran President Mel Zelaya to the left, until he was overthrown in a right wing coup in June 2009.

With a U.S. military base in Honduras, the U.S. government was no bystander to the coup. Although the U.S. has not intervened with its military, it has given support to right wing forces. The U.S. government has clearly stood with the Honduran oligarchy and used the coup in Honduras to send a chilling message to leftist governments throughout the region.

Progressive forces in the U.S. have a special responsibility to support the progressive and revolutionary forces in Mexico. 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 took 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. Socialist Cuba has built a health care system that is the envy of nations across the globe; thousands of Cuban doctors travel to Africa, Asia, and Latin America to provide free services to the poor and needy. Cuba has eliminated unemployment and created a superb educational system that eradicated illiteracy. Today Cuba is leading the charge in sustainable development and agriculture. All of this was done while under the most intense pressure of the U.S. blockade.

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 the 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 (AFRICOM). Teaming up with its proxy, Ethiopia, the U.S. is waging a war on the people of Somalia. We support the patriotic people of Somalia who are fighting to free their country from foreign domination.

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. We oppose sanctions on the Sudan.

In Zimbabwe there has been an ongoing attempt by the west, headed up by the U.S. and Britain, to bring down that country's progressive government, and end the national democratic process that is taking place there. We are against any sanctions on Zimbabwe and support the revolutionary measures adopted by its government, such as land reform.

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. There is also a growing armed struggle led by communists in India. The outcome of great struggle taking place in Nepal, where communists led an overthrow of a reactionary monarchy and continued to struggle for a national democratic revolution, has implications for Asia and the world as a whole.

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, and set back U.S. imperialism’s plans to build an anti-China alliance.

There are also more socialist countries in Asia than anywhere else. China, Laos, 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.

The growing international influence of China is also posing a challenge to U.S. imperialism. China has growing economic and political relationships with many countries of the Third World in Asia, Africa and Latin America. China has been able to unite with other Third World countries in international forums on trade and the environment to challenge the hegemony of U.S. and other imperialist powers. The Shanghai Cooperation Organization (SCO), which is a military alliance that includes

Russia, China, and other Central Asian countries presents a direct challenge to the expansion of NATO in Central Asia.

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. The U.S. is expanding its military attacks to Afghanistan's neighbor, Pakistan. There is growing opposition by the Pakistani people to their government's cooperation with 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 ranks far above that of Mexico or El Salvador, and many major U.S. cities. 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.

(1) Third World is a reference to the developing countries that are oppressed by imperialism.

(2) From 2003 to 2008, a powerful national resistance movement emerged in Iraq and that seemed to be relatively close to victory. The U.S. responded by instigating sectarian warfare, both openly and covertly. The divide-and-rule tactics of the U.S. and Al Qaeda's sectarian actions served the same purpose: to fracture the resistance and create an opening for the occupation. The result was the creation of large pro-puppet militias like the 'Sons of Iraq' in areas where the resistance was the strongest.

Nonetheless, the Iraqi resistance was never defeated and continues to wage armed struggle against the occupation.

(3) Defense Secretary Gates acknowledged as much, stating “We are unlikely to repeat another Iraq or Afghanistan anytime soon – that is, forced regime change followed by nation-building under fire,” in a speech at National Defense University, September 2008.”Nation building” is a code word for creating a stable puppet government.

(4) According to USA TODAY, February 25 2009: Leon Panetta told reporters that his agency was producing, at the request of the Obama administration, a new “economic intelligence brief” and distributing it to key policymakers. Reflecting the comments of the director of national intelligence, who called the economic crisis a serious national security threat, the new brief will focus on global economic issues, Panetta says. “It will cover overseas developments, economic, political, leadership developments,” he says. “Obviously, the implications in terms of the U.S. economy will be analyzed as well.” The first EIB was sent out today to “key players” in the administration.

(5) As we noted in our 2004 Main Political Report, 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 “multilateral” approach of “let’s get together and share the spoils” will make their voices heard.