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**Burning Issues
of the**

Mideast Crisis

by Peter Buch

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Peter Buch

BURNING ISSUES OF THE MIDEAST CRISIS

Last December 28 Israeli commandos swooped down on Beirut international airport in two helicopters. Waving submachine guns to discourage interference, they attached explosives to thirteen civilian airplanes. Forty-five minutes later they flew off, leaving nearly \$50 million worth of damage.

U.S. government leaders were sharply critical, although they hastened to add assurances of prompt delivery to Israel of fifty Phantom jets. The nations represented on the Security Council—even Israel's staunchest supporters—unanimously censured her for a "retaliation" far out of proportion to the "provocation." For one thing, most of the blitzed airplanes were U.S. and European owned, and even the best of friendships can be strained over a matter of \$50 million!

The key question for the imperialist powers, so far as the Middle East is concerned, is whether Israel's policies help them to "contain" and "roll back" the Arab revolution. But they are anxious that this be accomplished without at the same time touching off a general Mideast war. Such a war risks an armed conflict with the Soviet Union, possibly involving nuclear weapons. It could spark the very explosion of Arab revolution the imperialists are so hopeful of suppressing.

This is the "powder keg" Nixon wants "defused." The new president is worried that Israeli "reprisals" advance the spark moving up toward the "keg" in proportion to the size of the so-called reprisal. What were the immediate results of the attack on the Beirut airport that Israel insisted was dictated by the most imperative consideration of "self-defense" and even "national survival"?

Arab guerrillas simply shrugged their shoulders and continued their activities—their airplanes hadn't been destroyed! There was an upsurge of Arab nationalist feeling in Lebanon, which before that had been quite placid. Tens of thousands of Lebanese people, mostly youth, mobilized in the streets to protest the regime's inaction and to demand conscription as well as the arming of frontier villages against Israeli attack. The premier was forced to make a public pronouncement, sanctioning the commandos for engaging in "legitimate and

sacred acts." And the government fell anyway, to make way for more radical and anti-Israel rulers.

Why did Israel attack Lebanon, the most moderate, pro-Western Arab state? Lebanon was ruled by a conservative anti-Nasser regime, and guerrilla operations and training had been outlawed on Lebanese soil. In a clash only three months before, the government's army had murdered an Al Fatah commando. But it is precisely the upsurge of the Palestine liberation struggle—as we hope to demonstrate—that fundamentally explains Israel's heightened aggressiveness in recent months, typified by the raid on the Beirut airport.

The Palestine liberation movement.

Up until the June war of 1967, the Western press took little notice of the Palestinian Arabs, except as long-suffering refugees whose fate hung on the outcome of diplomatic and military encounters of other forces: Israel, the established Arab nations, the UN, the great powers, etc. These Palestinians were split up into widely separated refugee camps, restrictively governed by the governments of Egypt, Jordan, Syria, and Lebanon. They were leaderless, crushed by poverty, unemployment, humiliation, and despair. But today the Palestinians are beginning to speak and act for themselves once again. The new situation was indicated in a revealing, if patronizing, report from Amman, Jordan, appearing in the December 27, 1968, *New York Times*: "Before the Arab-Israeli six-day war in June 1967, a visit to a Palestinian refugee camp could be embarrassing for an American. He might be met with curses and arm-waving insults, accused of being an imperialist and a Zionist, and held personally responsible for seeing that justice was done the refugees.

"Now the refugees have gained a certain dignity. No longer so demanding and accusatory, their leaders discuss what they are doing for themselves, what the commandos are doing to liberate the Palestinian homeland. They are purposeful now and their morale is high.

"There are few pictures of President Gamal Abdel Nasser in the rain- and wind-whipped camps these days. He is still popular, but not a hero. After the wars of 1948, 1956, and 1967, no one expects to be liberated by the Egyptians.

"The heroes now are the commandos, especially those of Al Fatah, the largest and most active group. Posters of guerrillas carrying automatic weapons are displayed in every prominent place. The commandos' leader is no longer the noisy, boastful, passionate and publicity-loving Ahmed Shukairy, but Yasir Arafat, known as Abu Amar, who combines restrained eloquence, sentimentality and humanism with personal modesty and devotion to action."

This report offered an opinion on the origins and aims of Al Fatah and the circumstances which have led to their new prominence:

"Only an elite from the camps can hope to qualify for Al Fatah

or other commando groups. Most commandos are recruited not from the unskilled sons of peasants who throng the camps, but from the educated young men who have gone out from the camps to practice a trade or profession throughout the Arab world. This belies the theory that training would lead to economic integration of the refugees in their new homes and indifference to 'the return.'

"The Fatah's dedication can be traced to its earliest days, when it tried to organize among Palestinians studying and working in Germany in the mid-nineteen-fifties but found itself blocked by Nasserites . . .

"Although Al Fatah terms itself independent of all governments, it feels closest to Algeria, with her tradition of successful self-liberation and rejection of a political settlement in Palestine.

"After the June 1967 war, men like Abu Amar felt that the time they had prepared for was at hand. The Israelis added to this feeling by continuing to occupy the west bank of the Jordan River. Last March 21, at Karameh, a large refugee settlement near the old Allenby Bridge over the Jordan River, the Israelis made a major infantry push and the commandos, supported by Jordanian artillery, made a major stand.

"Their story is that they held their ground in Karameh and beat the Israelis fairly for the first time since 1948. The Israelis say that they retreated, as planned, after a punitive raid against a guerrilla camp. The details are unimportant. Fatah's account is believed and it nurtures the commando mystique.

"After Karameh, President Nasser, who had been lukewarm to the movement, recognized the commandos and gave Fatah an hour's daily radio time. That program is today probably the most popular in the Arab world . . .

"Although the commando movement basically seeks to reclaim the former Arab territory of Palestine, some supporters feel that it is actually the start of a new phase of the Arab revolution begun by President Nasser in 1952 when he and other officers overthrew King Farouk and established Arab socialism . . ."

An interview with Al Fatah leader Abu Amar in the January 1969 issue of *Tricontinental* magazine, organ of OSPAAAL (Organization of Solidarity with the Peoples of Africa, Asia, and Latin America) and published in Cuba, sheds more light on the new movement. "We have not taken up arms to force two million Jews into the sea or to wage a religious or racial war," Amar states. "The Jews lived alongside the Arabs, including the Palestinians, for many years, and we have never proposed to expel the Jews from Palestine. We are carrying the war forward to expel from our country a military occupation force set up by international imperialism and led by the U. S. government, British imperialism, and international Zionism—which served as the instrument for carrying out imperialist policy in the creation of Israel . . . We are a national liberation movement which

is struggling just like the fighters of Vietnam, Bolivia, or any other people of the world . . ."

Additional information on Al Fatah is provided in an interview with a young commando, Abu Bassam, at the organization's information center in Cairo. The interview was obtained by Barry Sheppard, former editor of the weekly socialist newspaper *The Militant*, and Fred Halstead, Socialist Workers Party presidential candidate, during a 1968 world political tour. It appeared in the September 20, 1968, issue of *The Militant*:

"'We must make it clear,' Abu Bassam told us, 'that there is a difference between Zionism and Judaism. Our aim is not to eliminate the Jewish people. Before 1948 we lived in peace with Jewish people, and they will have equal rights without discrimination in a liberated Palestine' . . ."

"In discussing this point, Abu Bassam said he disagreed with statements made by some Arab leaders during the June 1967 war that the Arab objective was to 'drive the Jews into the sea.' The goal Al Fatah is fighting for is to rid Palestine of the Zionist control fastened upon it in 1948 and to repatriate the Palestinians who were forced to leave their homeland."

A little-known aspect of Al Fatah's activities was described by the young commando in the interview: "There is racial discrimination inside Israel itself, with the European immigrants on top, the eastern Jewish immigrants, who are discriminated against, in a middle position, and the Arab residents on the bottom. We have a radio program, one hour each day, in Hebrew, directed to the Jewish people, appealing to them as brothers and exposing the racial discrimination and exploitation that exists in Israel."

Abu Bassam said that the organization began in 1958 as a movement for Palestinian national unity, after many Palestinians became convinced that they could win liberation only by their own efforts and that they could not rely on the Arab states. The organized armed struggle was launched in 1965 with only a handful of twenty commandos. The Arab states were far from welcoming this development, Abu Bassam pointed out: "The atmosphere in the Arab countries at this time was negative. We were called saboteurs and terrorists, without any political goals, by some of the Arab journalists and traditional leaders of the Palestinian people. Many of our comrades were jailed and tortured in Lebanon and Jordan."

"Before the June 1967 war, the Jordanian government indirectly cooperated with Israel in the persecution of Al Fatah members. It is well known that the Jordanian police are connected with the CIA also. When the war began, 1,800 Al Fatah people were imprisoned in Jordan, while only ten were imprisoned in Israel."

"When the Israelis occupied the West Bank in Jordan after the . . . war, they found Jordanian police papers that informed on Al Fatah members."

The young spokesman said that everything changed after the June war and that Fatah, which did not recognize the truce and kept fighting, is now leading the resistance in the occupied territories. "We are enjoying material and moral support from all the Arab peoples now . . . Any of the Arab states that attacks us will be overthrown." Sheppard and Halstead concluded: "The key idea in the Al Fatah program is guerrilla warfare . . . Abu Bassam explained that Al Fatah doesn't take an explicitly socialist stand, although many of its leaders consider themselves socialists. But, he added, the bulk of the Al Fatah commandos are workers and students, and 'its thrust is progressive. The conservative classes now support us, but they will do so only to the point where they feel their interests are threatened. "Al Fatah is part of the worldwide struggle against imperialism. We have good relations with the Cubans and with the Vietnamese. Some of our people have been trained in Vietnam by the NLF. We express full solidarity with the Vietnamese and Latin-American revolutions,' Abu Bassam said."

Regimes of the Arab nations

It appears paradoxical that on one side the revolutionary youth of the national liberation movements like Al Fatah criticize the Arab regimes for their demagogic stance against Israel, while Israel, on the other side, condemns the same regimes for "harboring" the guerrillas. Israel pictures the Palestinian commandos as "terrorists" and "puppets" of "alien powers," while assaulting these "alien powers" in order to force them to reassert their control over the "puppets"! This flows from the contradictory role of the Arab governments themselves.

The left-bourgeois regimes of Egypt and Syria have presently aligned themselves in international politics with the world colonial liberation movement and against imperialism. But they seek to hold back colonial revolution at home, fearing that the forces unleashed by the call for mass opposition to imperialism will go far beyond the present limits set by these regimes.

Those who doubt whether there is such a thing as the Arab revolution will get a ready answer from the oil companies, the world bankers and investment houses, and the representatives of American and British imperialism who have sent their troops regularly to various Arab lands to safeguard holdings. Strikes, sweeping land reforms, wholesale nationalizations, civil war, revolutionary uprisings, and imperialist troop landings have marked the history of the Arab territories in the imperialist epoch since the first world war.

The highlights since World War II include the overthrow of Egypt's King Farouk in 1952; the Algerian revolution which brought independence from France; upheavals in Jordan in 1955-56, spearheaded by Palestinian refugees; the Iraqi revolution and mass demonstrations in Lebanon during 1958; the stunning Suez Canal nationalization by

Nasser in 1956; the support by Egypt and Syria for the Algerian, Cuban, and Vietnamese revolutions; their recognition of China; their denunciation of world imperialism and their refusal to become linked with U. S.-sponsored military pacts.

Although the officers who established the military-bureaucratic regimes of Nasser, El Attasi (Syria), and al-Bakr (Iraq) expropriated imperialist holdings, they did not definitively end the power of the old ruling classes and establish the rule of the aroused toiling classes. Thus they continually balance between right and left; between anti-imperialism and tendencies to compromise; between mass pressures and the interests of the liberal capitalists, the petty-bourgeois officer caste they come from, the government bureaucrats, and the new circles of enriched speculators and traders arising out of these layers.

Instead of calling upon and organizing mass participation of workers, peasants, and students in the construction of a modern industrial, socialist society and a unified Arab people along revolutionary lines, the Nasser-type regimes introduce social reforms from above with tight bureaucratic controls to *prevent* the intervention of these masses. Opposition is suppressed, while Communists, radical students, unionists, and Jewish citizens are jailed.

Typical of the Arab governments are the current spy scares, secret trials, mass imprisonments, and public hangings. This victimization of both Jews and Arabs flows from the instability of these regimes, their fear of the masses, their lack of heart for a real struggle. As a basis for Arab unity, the Nasserists substitute demagogic references to "Arab socialism," vague appeals to Islamic virtues, opportunist alliances with reactionaries like King Hussein and Shukairy, chauvinistic agitation against the Jews, and hysterical but empty threats to "destroy Israel" in a "holy war."

Their demagogery in turn plays into the hands of the Zionist rulers of Israel who know that the threats are empty and take advantage of the fear aroused among Jews to launch new "wars of survival." Zionism thus fans support for acquiring more territory to establish what is dubbed the "historic boundaries" of "Eretz Yisrael." The more chauvinistic Israeli parties, strengthened by the June war, openly claim Jordan, Sinai, and the Gulf of Aqaba as part of "historic Israel"; the moderate Labor-Zionists in charge of government do their best to actually acquire this territory.

Israel and world imperialism

But Israel's role is not confined to its own expansionism. It must be placed in the global context of imperialist counterrevolution, spear-headed by the United States. This worldwide offensive has recently achieved ominous successes in places like Brazil, Indonesia, the Congo, Ghana, and Greece; it is waging genocidal war to crush the Vietnamese

revolution. The massive anti-imperialist struggles that have raged through the Arab world and resulted in the overthrow of such imperialist creatures as King Farouk, Nuri Es-Said in Iraq, and the French *colons* in Algeria, constitute obstacles to the success of the imperialist war drive, no less than the mighty struggle of the Vietnamese and the intransigence of revolutionary Cuba. In this struggle Israel sides with imperialism.

An obvious question cries out for an answer: How has it happened that Israel, which was avowedly established as a homeland for the long-suffering Jewish people, the perennial victims, exiled and persecuted for centuries and nearly exterminated during the unspeakable Nazi phase of German imperialism—how does it happen that this nation, of all nations, winds up as an oppressor and a partner of American imperialism against world revolution? Is it the fault of the Jewish people, as some conscience-stricken liberal Zionists like Rabbi J. L. Magnes or Martin Buber have asked, or is it the result of Zionist aims and ideology? Could it have been avoided?

Other questions deserve to be raised in this connection: Is the pro-U. S. orientation of Israel a guarantee of, or a dangerous threat to, her survival? Are the present policies of the Israeli state securing a new life, or preparing a death trap, for the Jews? Can a community of 2.5 million Jews ever be secure or prosperous as long as it confronts 80 million members of a bitterly offended and hostile people, whose ultimate national unity, economic development, and military superiority will be achieved? Does the military drive to secure new borders have any limits, since each new frontier must create a boundary breeding the same tensions? Will bigger and bloodier "retaliations" lead to any settlement?

Are there other policies that the Jewish workers and farmers could follow, if they were not gripped by Zionist ideology and its powerful institutions, which would serve their interests better and could win the friendship of the Arab peoples? Could such new policies help to inaugurate an internationalist, socialist fraternity throughout the Middle East and North Africa, and why haven't these policies at least been tried by the "socialist" Labor-Zionist regimes?

Partisans of the Zionist movement—especially left Zionists who assume a special responsibility to win left-wing support for Israel—promptly respond with questions of their own: "Isn't Israel an independent, progressive state, practically socialist, composed largely of cooperative and collective institutions like the *kibbutzim* (collective farms), governed by a labor-party coalition, imbued with pioneer ideals, dedicated to achieving full social equality, friendly to the newly emerging nations, an outpost of enlightenment and democracy in the Middle East, but surrounded by reactionary Arab dictatorships, monarchs, and religious Imams calling for holy war against the Jews?"

How could Israel be serving the interests of Western imperialism when she merely seeks to be left in peace while building a progressive national homeland for the Jewish people that can act as a beacon of democracy, modern technology, and culture? Aren't the Arab leaders

really motivated basically by such things as desire for revenge; fear that the good example of Israeli progress might spur Arab workers and peasants to overthrow their reactionary regimes; personal ambition for power and riches; and an ungovernable streak of anti-Semitism? The Arabs have so much empty land; why can't they allow the Jews a little parcel of territory which they had neglected anyway? Isn't Israel *forced* into alliances with the imperialists, if only temporary, for the sake of sheer survival in the face of continued infiltration, sabotage, massive Arab mobilizations, and threats of extermination? What is so wrong with a Jew wanting a land of his own where he can be himself?

In order to untangle the complex issues—and myths—underlying the posing of such questions, and to answer the questions themselves, we must examine the origins of Zionism and the history of its relations with imperialism; the manner in which the state of Israel was established; its treatment of Arabs; and its actual class nature.

The determination of Jewish people to see that a fascist holocaust never happens to them again, a determination which every revolutionist and socialist shares, plus the worldwide feelings of guilt and sympathy over what did happen to Jews under Nazism, have tended to obscure the origins of the state of Israel. But the core of Arab-Jewish hostilities, the Arab refugee problem itself, cannot be understood except in the light of this history. We will see that the problem involves not merely a few Arab refugees, but the virtual dispossession of an entire people.

Zionism before Israel was established

Historically, the yearning for Zion among the Jews was predominantly a question of religious identification. Most refugees from Russian and Polish anti-Semitism in the nineteenth century fled to Western Europe and especially to the United States. Zionism remained a minority tendency in Jewish communities until the coming of Hitler and the second world war.

Politically organized Zionism was founded around the turn of the century. Credited as its founder is Theodor Herzl, a Viennese journalist who was convinced by the blatant official anti-Semitism revealed in the French Dreyfus case that anti-Semitism could never be eradicated and was rooted in human nature, as long as the Jews had no homeland of their own. He petitioned the Turkish sultan, the czar, the kaiser, the British king, even the pope, to obtain support for a Jewish homeland in Palestine. (At one time, Herzl was willing to accept a temporary allotment of Uganda but was opposed by other sections of the Zionist organization.) In return for support, Herzl promised these potentates Jewish backing for their imperial aims in the Middle East. With Plehve, the infamous czarist minister who had organized the Kishinev pogroms in 1902, Herzl went so far as to conclude a secret agreement to use the Zionist movement as a lever against

the Jewish socialists in return for Plehve's good influence with the sultan.

Writing the German Duke of Baden in 1898, Herzl declared: "It is clear that the settlement of a neutral people on the shortest road to the East can be of immense importance for the German Orient policy. And what people is meant by that? That people which . . . is compelled nearly everywhere to join the revolutionary parties." In another letter, he wrote: "With the Jews a *German* cultural element will enter the East. The fact that the Zionist movement is headed by German writers even though of Jewish origin can serve as proof of this. The [Zionist] Congress language is German. The great majority of the Jews belong to the German culture. We need protection. German protection is therefore the best for us; we alone cannot do this."*

After Herzl's death the Zionists carried on his efforts to secure big-power protection in Palestine.

Modern anti-Semitism is rooted in the world decline of capitalism, whose national boundaries, cutthroat competition, and lack of planning restrict the productive forces of the world and squeeze out vulnerable nations and peoples who are too poor and weak to protect themselves. In this respect Jews have common grounds with forces the world over who have no recourse in their anti-imperialist struggle for survival but to take the path of socialist revolution.

For the Jews to try to create any sort of stable capitalist republic in the image of the classical capitalist states forged two or three hundred years ago was, and is, utopian. But their attempts have served a realistic function in imperialist politics, which have exploited them down to the present period to divide and rule the Middle East.

In 1917 the British issued the Balfour Declaration, which announced support for establishing a Jewish homeland in Palestine. This was designed to win Jewish backing of Britain in the first world war. It was later revealed that Britain had earlier promised to support Arab independence in the same region in return for Arab support during the war. And, in the Sykes-Picot treaty, the British agreed to share the same area with France! These schemes were revealed by the Bolsheviks, who discovered copies of the secret agreements in the czar's vaults. It was consequently not a double- but a triple-cross which generated the eventual collision of Jew and Arab and which, until 1948, enabled Britain to wield power over a divided Middle East.

To make his promise to the Jews sound plausible, Lord Balfour had added the clause that nothing would be done to prejudice the rights of "existing non-Jewish communities in Palestine." This was Balfour's allusion to the Palestine Arabs—who outnumbered the Palestine Jews about eight to one at the time! When the League of Nations finally

* Books cited are listed in the bibliography at the end of the article.

legalized the spoils of the victors of World War I, Britain received a mandate to establish the Jewish National Homeland she had promised.

From the very beginning, the Zionists supported the British regime and its mandate in Palestine. This came just at a time when the Arabs were awakening to national consciousness. Indeed, there can be no doubt that the British overlords, many of them by their own admission deeply prejudiced against Jews, favored Zionism precisely to meet this new threat of Arab nationalism. They hoped to guard their empire with a "western-oriented" population upon whose loyalty they thought they could rely, and until the end of World War II, they were not mistaken. At the same time, the British armed the most reactionary Arab lords in the region to suppress peasants and workers.

The Zionists mobilized support for the mandate. David Ben-Gurion, former prime minister of Israel, was one of the principal leaders and spokesmen of the social democratic Labor-Zionist movement. At the nineteenth Zionist Congress in 1935, Ben-Gurion declared, "Whoever betrays Great Britain betrays Zionism." Another time, Ben-Gurion said: "We cannot be oblivious to the many interests which Britain has in the Mediterranean. Fortunately for us, British world interests are essentially the preservation of peace, and therefore in the strengthening of the British Empire it is not we alone who see an important guarantee for the strengthening of international peace. England will have bases of defense on sea and on land in the Jewish State and in the British corridor. For many years the Jewish State will stand in need of British military protection and protection entails a measure of dependence." (See "Zionism and the Lion" in *Zionism, Israel and the Arabs*.)

The Zionists thus insisted that they were better friends of British imperialism than the Arabs. Menachem Ussishkin, late head of the Jewish National Fund, wrote in 1936: "A Palestine which is wholly Arab means that sooner or later Great Britain will be forced to leave just as it is gradually leaving Egypt. A Palestine which is largely Jewish means a political *alliance cordiale* . . . between the Jewish people and the English." (*Palestine Review*, July 3, 1936.)

This Zionist attitude served to strengthen the Arab landlords. So did the consistent Jewish opposition to Arab demands for independence and for a national assembly for Palestine. The Zionists recognized that independence for Palestine would have halted their dream of controlling the area, inasmuch as they were a minority. To be sure, the Jewish economy improved the life of both Arabs and Jews but in an unequal way, because the Jewish standard of living, quite low for many of the settlers, remained about three times that of the Arabs.

However, from the very first, the Zionists were determined to build an exclusively Jewish economy. Ben-Gurion told the Elected Assembly of the Jews of Palestine in March 1932: "Nobody must think that we have become reconciled to the existence of non-Jewish labor in the villages. We will not forego, I say we will not forego, one piece of work in the country." H. Frumkin, an economist belonging to Ben-Gurion's

party, expressed the same idea when he wrote: "Every new industry is a blessing only if Jewish labor dominates it. Otherwise, it is a calamity for the Jewish community." (*Jewish Labor*, p. 113.)

The large General Organization of Jewish Workers in Palestine, which is the full name of the Histadrut, the powerful labor federation to which most Israeli workers belong today, included only Jewish workers and refused to organize Arab workers and extend aid to Arab peasants. (Israeli Arabs can belong to Histadrut today.) How did "socialist" Zionists rationalize this divisive and anti-internationalist policy in Palestine? Let us listen to Ben-Gurion again, speaking in 1938: "Our right to Palestine is not the right of the Palestine Jews but of the entire Jewish people which is scattered the world over and of which only 3 per cent live in Palestine . . . For the rights of the Jews in Palestine are different from the rights of the Arabs; Palestine Arabs have the rights proper to all inhabitants of the country. Armenian and Ethiopian inhabitants of Palestine are entitled to the same rights even though their numbers are small. However, the Arabs of Syria, Iraq, or Saudia have no rights in Palestine. On the other hand, the rights which the Jews have in Palestine is their right not as inhabitants of the country, but as Jews, whether they live in Palestine or in any other country. The fundamental Jewish right—is in reality the right in Palestine of non-Palestine Jews, the right of immigration . . . The Jewish and Arab claims are not equal with regard to Palestine." ("Zionism and the Lion" in *Zionism, Israel and the Arabs*.)

Ben-Gurion based this truly extraordinary, absentee-ownership claim to Palestine upon the Bible: "The Bible is our Mandate." For the time being, however, until 1948, the Zionists would invoke the British mandate as well; the latter came equipped with an army.

The Zionists seize Arab land

The Zionists opposed agrarian reforms that would give land to the fellahin (peasants) who worked it or even protect their tenancy of it. Where the fellah was unprotected, it was easier to buy his land from the rich effendi (landlord), who considered it part of his feudal domain. Thus many Arabs were deprived of the land they worked, legally of course, and with all due process! The contract given to the Jewish settlers by the Jewish National Fund (JNF), which purchased the land, contained a clause forbidding future lease or sale to Arabs.

Some examples of Jewish colonizations are given by Joseph Weitz, a prominent leader of the Zionist establishment in Israel and head of the Land and Afforestation Department of the JNF, in *The Struggle for the Land* (1950). Weitz writes by way of introduction: "The struggle for the redemption of the land means simply this—the liberation of the land from the hand of the stranger, from the chains of wilderness; the struggle for its conquest by settlement, and last but not least, the redemption of the settler, both as a human being and as a Jew . . ."

This is reminiscent of the white man "purchasing" land from the American Indians.

Weitz describes a beautiful farm in the Kfar Etzion area, with large buildings, orchards, and cisterns, which belonged to a German missionary society and had been leased to Christian Arabs: "It was eminently suitable for a collective group [and] seemed to have been designed for that very purpose . . . It proved by no means an easy task to transfer the property into Jewish hands. The resourcefulness and determination of the JNF officials, however, were equal to all the obstacles and within a year the German farm became the property of the Jewish people." (p. 180.)

In another instance, again in Kfar Etzion, attempts were made to secure possession of land owned by an American who had given his rights to the JNF. While the village sheiks were willing to give up the area for a cash payment, the younger peasants opposed it: "The JNF officials, wise in the ways of the East, knew that the negotiations might be dragged on interminably and [the JNF] resolved on drastic measures. Jewish rights must be established by the very fact of occupation! . . . One night the settling force—it was no less—comprising the settlers, their neighbors, and volunteers from elsewhere, foregathered in Ein Tzurim, and before daybreak they had occupied the site, fencing in the land and erecting their huts with all despatch. The new group was affiliated to the Hashomer Hatzair movement." (p. 186.)

If these acts of land robbery, miniscule compared to the wholesale expulsion of the Arabs later, were proclaimed "in the name of the Jewish people" (who were mostly absent and not consulted at the time), it is not hard to see how the Arab reactionary forces would be able to channel resentments against this very people as a whole. In sum, the JNF "purchased" only about 23 per cent of the land from tenants, whose "profits" averaged around thirteen pounds per sale. The remaining 77 per cent of the land came from the landlords. (See "Middle East at the Crossroads.")

There was also a Jewish boycott of Arab labor and goods. The prosperous Jewish citrus orchards were picketed by Jewish organizations, which kept Arab laborers out by force. Arab agricultural produce was boycotted by the Jewish consumers and sometimes destroyed, enabling Jewish farmers to sell their goods at two or three times the price of Arab goods. When serious labor shortages developed on the Jewish lands, schools would be shut early and seminarians, office workers, teachers, and students were mobilized to go into the fields, so that none of the Arab workers, suffering from unemployment, could have the jobs and "Jewish labor" could stay "redeemed."

It is not difficult to see why most of the Arab workers and fellahin of Palestine were not friendly to the Zionist "conquest of the land." In every way the Zionist colonizer confronted the Arab as a foreign invader, who brought his capital and advanced technology into the land under the auspices of British imperialism, while the latter oppressed Arab attempts to better their conditions. The Zionists became a buffer

between imperialism and the exploited Arabs. The imperialists did not have to take responsibility for the lack of laws protecting the fellah's tenancy of land or for the complete absence of any elected representative body in Palestine (except for the Jewish one). They pointed to the Jews who opposed land reform and independence.

When a foreign company, seeking to establish itself in the country, appointed a Jew as general manager, then anti-imperialist actions by the Arabs were denounced as anti-Semitic. If the British killed thousands of Arabs, as they did during the uprisings in 1936-39 which held down half the British army, it was not to maintain their imperialist interests — it was to "protect" the Jews.

Hitler's extermination program

In East Europe, the center of Jewish culture, where most of the Jews were workers and poor middle-class elements, the leading intellectuals and radicalized workers looked mainly to socialism as the path to their liberation from anti-Semitism and the ghetto. They regarded Zionism as a utopian illusion.

Consequently, during Hitler's rise to power, the Western "democracies" were loath to admit these radical Jews as immigrants, even if they were fleeing extinction. Washington and London found excuses for turning their backs while Hitler strove to eliminate the Jews — just as they tolerated German rearmament in the same period, in the hope that Hitler would crush the Soviet Union and East European Communism.

For their part, the Zionists refrained from launching an all-out campaign to force Western countries to open their gates to the Jews. They didn't want to appear importunate to the powers they were seeking as sponsors of the National Homeland. Moreover, immigration to the West would destroy the Zionist goal. Ben-Gurion warned the Zionist executive in a letter dated December 17, 1938: "The fate of Jews in Germany is not an end but a beginning. Other anti-Semitic states will learn from Hitler. Millions of Jews face annihilation, the refugee problem has assumed worldwide proportions, and urgency. Britain is trying to separate the issue of the refugees from that of Palestine . . . If Jews will have to choose between the refugees, saving Jews from concentration camps, and assisting a national museum in Palestine, mercy will have the upper hand and the whole energy of the people will be channeled into saving Jews from various countries. Zionism will be struck off the agenda not only in world public opinion, in Britain and the U. S. A., but elsewhere in Jewish public opinion. If we allow a separation between the refugee problem and the Palestine problem, we are risking the existence of Zionism." (See *The Other Israel*.)

The fury of Hitler's extermination program fell heaviest on this leading section of world Jewry in East Europe. Stalin later eliminated what Yiddish cultural and political leadership there remained. This physical

liquidation of a revolutionary and socialist Jewish working class and leadership and the failure of the socialist revolution to save the Jews from the fascist holocaust, helped to turn Jewish sentiment heavily in favor of the Zionist "solution."

Israel, the 1948 war

After World War II the Zionists began to press for independence as a Jewish state. The British had used the Jewish colonizers for their own interests, but they did not relish having a strong Jewish state in the Middle East. Supporting now the Arabs then the Zionists, they incurred the wrath of both. Had the Jewish settlers linked their struggle against the British with the aspirations of all the exploited peoples in the area, the outcome could have been quite different. Instead, they terrorized the Arabs and set out to build an exclusively Jewish and capitalist state no longer oriented to the declining imperialism of the British but to the new and more powerful world "peace-keeping" of the United States.

The British, meanwhile, unloaded their "mandate" on the United Nations. Here the Middle East became a victim, as did many other places on the globe, of the "Big Three" division of the world into "spheres of influence" agreed upon at Yalta and Potsdam. In November 1947 the UN partitioned Palestine into two separate states, one Jewish and the other Arab, although no Arab agreement to this plan had been secured. With Indochina (which Stalin had promised to France), Korea (divided in half), Greece (promised to Britain), Palestine became one of many half-buried time bombs whose explosions constitute the main crises of the postwar era.

The Kremlin's seal of approval on these deals doesn't make them less reprehensible. Earlier, Stalin's "peaceful coexistence" policies had led to the betrayal of the revolutionary movements that erupted in Europe and Asia immediately after the war. In 1947 he ignored the national rights of the Palestine Arabs and pushed for UN partition. Later events show that the readiness of imperialism and its friends to accept such favors from Moscow at that time was matched only by their subsequent ingratitude.

On May 15, 1948, the provisional Jewish government proclaimed Israeli statehood. The same day the Arab armies of King Farouk, King Abdullah of Trans-Jordan, and Nuri Es-Said of Iraq—armies which had been organized by the British—attacked. The attack was planned at a secret meeting in Syria with Major I. C. Clayton, the liaison officer between the Arab League and the British Foreign Office. (See *The Other Israel*.)

The Jews were forced to fight, not just for independence but for survival. President Nasser of Egypt was an officer in this war. In *The Philosophy of the Revolution* Nasser describes how he felt that

the war was an imperialist plot, designed to subdue the struggle against the Farouk and Nuri regimes and, at the same time, to bring the British back into Palestine in the role of "pacifier." Israel's victory was not a defeat of "the Arabs" as such, but of the strategy of British imperialism and its manipulation of the armies of the Arab feudal monarchs.

When the armistice was declared and the smoke cleared, the Arab state the UN established on one portion of Palestine had disappeared. A secret agreement between Israeli Premier Ben-Gurion and King Abdullah of Trans-Jordan, the "friendly enemies" as they were known to people familiar with realities of Mideast diplomacy, ratified a division of that territory whereby Israel wound up with one-half more than the original territory allotted her. Trans-Jordan, now renamed Jordan, swallowed up the other half of the Arab Palestinian state, receiving the West Bank area and half of Jerusalem, areas seized by Israel in June 1967. The "settlement" was guaranteed shortly thereafter by the 1950 Tripartite Agreement of the "disinterested" powers — the United States, England and France.

Flight of the Palestinian Arabs

As for the Palestinian Arabs, huddling in several widely separated, miserable refugee camps outside the new borders of Israel, they had lost not only their lands, their homes, their businesses, but their existence as a nation. It is this nation that the armed movements like Al Fatah are struggling to liberate today.

An initial offer by Israel in 1951 to allow the return of 100,000 Arabs was soon withdrawn when Zionist hard-liners organized protests against it. The Israeli regime subsequently maintained that the Arabs lost all their rights when they "voluntarily" fled during the Arab invasion in 1948. The invading Arab armies allegedly broadcast radio appeals to the Palestinians to leave in order to make the "extermination of the Jews" possible without Arab civilian casualties. Israel insists that the refugees be resettled in other Arab countries which have lots of room and which contain, after all, ". . . their own kind."

What is the truth about the Palestinian Arab flight of 1948?

Hal Draper describes this event and the subsequent Israeli land-grab in two articles written in 1956-57 and reprinted in *Zionism, Israel and the Arabs*, edited by Draper in 1967. He cites Ben-Gurion's position as of the winter of 1948, before the Arab exodus:

"Indeed, the vast majority of the Palestinian Arabs still refuse to join in this war despite the combined pressure of the Mufti and his gangs, of the Arab rulers . . . The Arab villages have in their overwhelming majority kept aloof from the struggle. Were it not for the terrorization by the Arab bands and the incitement of their British supporters, the Arab people of Palestine would have soon resumed peaceful relations with their Jewish neighbors." (*Palestine and the Middle East*, January-February, 1948.)

"This was written," Draper points out, "before the land-grab had begun. It was only later that Israeli propagandists started putting forth a different version . . . The Palestine Arab population did not flee out of sympathy with and in cooperation with the Arab invaders, but *out of fear of them and of the war.*"

Ben-Gurion's words call another point into question also. Zionist propagandists point to the alleged role of the reactionary Mufti, Haj Amin El Hussein, the religious head of the Palestine Moslems, who was pro-Hitler, in order to paint the Palestinian Arabs as deluded followers of a vicious Nazi criminal. Ben-Gurion here testifies otherwise. In this connection, Draper quotes another Zionist spokesman, Yaakov Shimoni, writing in the same publication as Ben-Gurion: ". . . the fact remains that the bulk of the Arab population has so far kept aloof from attacks on the Jews. Up to the present, the instigators of the disorders have been unable to enlist the mass of either the fellahin or the urban Arabs . . . The hopes of the Mufti and the AHE [Arab Higher Executive] have thus far been disappointed because although they instigated and initiated the attack, they have been unable to deliver the goods: the mass of the Arab people of Palestine have failed to rise at their orders and have proved reluctant and incapable of fighting the Jews."

It is true that, anticipating the storm clouds about to burst, the rich upper class and most of the well-to-do Arab families left Palestine early in 1948. But the poor Arabs, the workers and peasants—that is, the overwhelming majority of the refugees—did not flee until *after* the infamous massacre at Deir Yassin on April 9, 1948, a month before Israeli independence. This outrage was a turning point in the Arab flight.

The Arab village of Deir Yassin near Jerusalem was especially noted by its Jewish neighbors for its friendly, peaceful relations and for its firm *rejection* of demands to cooperate with outside Arab forces. This was the village selected by the Irgun Zvai Leumi, the chief Jewish chauvinist-terrorist group, for a massacre in which 250 Arabs perished, including 100 women and children. About 150 bodies were thrown down a cistern. The houses were destroyed. The few survivors were marched triumphantly through Jerusalem streets.

Although the official armed forces, the Haganah, condemned the massacre, the Irgun produced a document signed by the local Haganah commander proving he knew of the planned attack. The special command unit, the Palmach, even provided reinforcements to cover their retreat when armed Arabs approached the village to fight back. This semi-official toleration of the Irgun, which carried out bombings, hangings, and terror raids against both Arabs and the British, and boasted of it, was not terminated until September 1948, when the Stern gang had assassinated the UN mediator, Count Bernadotte. Massacring an Arab village remained within tolerable limits to Zionist leaders such as Ben-Gurion.

The aim of the fascist-like Irgun, Draper points out, was to have an

"Araberrein" Israel, an Israel "clean" of Arabs, like Hitler's aim of a "Judenrein" Germany. The main leader of the Irgun, Menachem Begin, who became the chief spokesman for the right-wing Israeli party, Herut, was taken into the Israeli coalition cabinet for the first time during the June war in 1967, and he is still there!

In *The Revolt, Story of the Irgun* (1951), Begin celebrates Deir Yassin: "The legend of Deir Yassin helped us in particular in the saving of Tiberias and the conquest of Haifa . . . All the Jewish forces proceeded to advance through Haifa like a knife through butter. The Arabs began fleeing in panic, shouting 'Deir Yassin' . . . Arabs throughout the country . . . were seized with limitless panic and started to flee for their lives. This mass flight soon developed into a maddened uncontrollable stampede."

The Arab flight became general and turned into a torrent of panic-stricken Arab villagers and workers, leaving, not in accordance with some thought-out "tactical" plan or "conspiracy" in cahoots with the Arab armies, but often at a moment's notice. As Draper points out, the Palestinian Arabs had no way of knowing who would wind up to be the "official" leaders of Israel, the "responsible" Labor-Zionists and the Haganah which they controlled, or the chauvinistic Irgun.

Arthur Koestler described Haganah's propaganda to the Arabs: "By that time Haganah was using not only its radio station, but also loudspeaker vans which blared their sinister news from the vicinity of the Arab shuks (market places). They warned the Arab population to keep clear of the billets of the foreign mercenaries who had infiltrated into town, warned them to send their women and children away before the new contingents of savage Iraqis arrived, promised them safe-conducts and escorts to Arab territory, and hinted at terrible consequences if their warnings were disregarded." (*Promise and Fulfillment*, 1949.)

British correspondent Jon Kimche, who was a supporter of Israel, wrote: ". . . the Irgun practice of looting Arab homes and shops was soon explained away and later justified as ministering to the needs of Jewish evacuees who had lost their homes and their all as a result of the four months of attack from Jaffa. It was perhaps natural, though it was certainly detestable, that before long the rest of the Jewish soldiers of the Haganah and the Palmach should join in the orgy of looting and wanton destruction which hangs like a black pall over almost all the Jewish military successes. It could have been stopped by firm action at the outset. But it soon became a practice for which there was always a material incentive, a sophisticated justification, and an excuse." (*Seven Fallen Pillars—The Middle East 1945-1952*, 1953.)

The great bulk of the Palestinian Arabs were robbed, terrorized, and expelled from Israel in 1948 through no fault of their own. They did not, as Zionists allege, heed foreign armies or "broadcasts," they did not follow the Mufti, they did not rise up in a holy war.

Victimization of the Arabs after 1948

The Israeli government has refused to disclose its records of the land and property taken over. A UN Conciliation Commission for Palestine valued it at \$336 million in 1950. Over 80 per cent of the total land acquired by Israel, one-fourth of it cultivable, came from Arab lands, including, to be sure, Bedouin lands in the Negev desert to the south. The total amount of cultivable land taken from the Arabs, 4.5 million dunams (one dunam equals about one-quarter of an acre), came to two-and-a-half times the land owned by the Jews before 1948. (See Don Peretz, *Israel and the Palestine Arabs*, 1958.)

Whole cities fell into Jewish hands: Jaffa, Acre, Ramleh, Lydda. Additional Arab holdings left behind, according to Peretz' estimations, included: 388 towns and villages; large parts of 94 cities and towns which held almost one-quarter of all the buildings in Israel; 10,000 shops, businesses, and stores. The fruit obtained from formerly Arab land, including many citrus groves, earned 10 per cent of Israel's foreign currency in 1951. The third largest export, after citrus and diamonds, was provided by the olive groves, 95 per cent of which had belonged to Arabs.

Arabs who did not flee were also victimized by the Israeli regime. Peretz shows that 40 per cent of the land held by these residents was confiscated through a series of "Absentee Property" laws, worded to apply to all citizens but directed in practice exclusively at the remaining Arabs. Some 300,000 dunams were taken away in this manner. The key provision of these laws, whose chronological evolution and complicated legalisms have been unraveled by Dr. Peretz, was to define a "Palestine citizen who had left his normal or habitual place of residence" as "absentee." Thus, if an Arab and his family had gone only to the next village to escape the fighting, he would qualify as an "absentee"—even if the other village was within Israeli borders. In many cases Arab villagers, bereft of their lands, were forced to hire themselves out to nearby settlements and wound up working as hired hands on their own land, which had been given or leased to the Jewish settlers.

John Cogley, editor of the liberal Catholic publication, *The Commonwealth*, visited the Arab Catholic village of Ikrit in 1954. After waiting for two years for a promised return to their village, Cogley reported, the people of Ikrit, Israeli citizens, took the matter to court. It ruled in their favor. "But before they could move back to their homes, Israeli airplanes dropped bombs on their abandoned town, destroying everything. Whether from malice or not, no one can say, but the date chosen for the destruction of this wholly Christian village was December 25. . . . [Last December] Kafr-Biram, another Catholic village, was destroyed. . . . In both cases, the reason offered for the destruction of the Catholic villages was 'military security.'" (*The Commonwealth*, January 22, 1954.)

Draper points out that in adopting the Absentee Property Law of March 1950, the fifth set of continuously amended regulations, the Knesset *turned down* a series of amendments, offered mainly by Arab deputies, to provide "only an elementary measure of fair dealing. Among these were amendments to protect the land of Arabs (1) who were legal citizens of Israel, with an identity card, and had *not* aided the enemy; (2) who had never fled the country; (3) who had been expelled from their villages when these were conquered by the Israeli troops. . . ." These laws were so broad that one of the Arab Knesset members, Tufiq Tubi, was legally classified as an "absentee."

In a series of articles in the Israeli daily *Haaretz* in January 1954, Moshe Keren summarized what had occurred: ". . . here was a case of wholesale robbery with a legal coating. Hundreds of thousands of dunams of land were taken away from the Arab minority—I am not talking here of the refugees—through a whole variety of legal devices." He asks how the Jewish people could have done such a thing to "a helpless minority." "Even more depressing is the fact that it was precisely those groups who presume to establish a new society free from injustice and exploitation—the kibbutzim, in other words—who marched in the vanguard of the seizure campaign, and that foremost among them were the self-styled fighters for the idea of absolute justice—the kibbutzim affiliated with Mapam—whose representatives in the Knesset are now missing no opportunity to condemn the government for its discriminatory policy towards the Arabs."

The Arabs in Israel were reduced to second-class citizens under military control, excluded from decent jobs, from trade union membership (until later), from genuine political rights, and subjected to repeated acts of horrifying violence. The June 13, 1967, *Christian Science Monitor* recalled two notorious incidents right after the six-day war: "Israeli security forces have on occasion dealt ruthlessly with Arabs more recently than 1948. Two incidents in particular are remembered fearfully by Arabs. The first was in the Jordanian border village of Qibya in October 1953, when Israeli regular soldiers killed 53 men, women and children in retaliation for the killing of an Israeli mother and her two children, apparently by a saboteur from Jordan. The second was at Kafr Qasim, an Arab village within Israel, in October 1956, during the 100-hour Sinai war of that year. Israeli border police shot and killed 51 Israeli Arabs, including women and children, who were returning from the fields at the end of the day's work and were unwittingly in breach of a curfew order . . ."

The scandal of Qibya forced Ben-Gurion into his first "retirement" from the government. The details of the bloody event at Kafr Qasim have never been revealed, and leave unanswered what is presumably an eyewitness account issued by the anti-Zionist "Third Force" group in Israel. On broadsides posted up all over Israel, this described the slaughter as a beastly pogrom carried out with Nazi-like efficiency and ruthlessness. (See *Zionism, Israel and the Arabs*, p. 187.)

A similarly horrifying case surfaced after the six-day war.* This concerned the Jordanian village of Qalqilya, which had been cut off from its lands in 1948. These were taken over by a Jewish kibbutz in 1950. In 1956 Israel blamed the invasion of the Suez, which it undertook with Britain and France, on fedayeen "infiltrators" from such places as Qalqilya. Harry Ellis offered an explanation in *Israel and the Middle East* (1957): "Impoverished and embittered by the loss of their fields, many of the men of Qalqilya had taken to infiltrating across the border, at first to steal fruit from their own fields, later, as the weary months dragged on, to commit sabotage and in some cases — though they would not say this — to kill. I spoke to one villager who had crossed the border with his 17-year-old son. The son was killed, and the father made it back with a small cache of oranges. One week later, when the flour bought with the oranges was gone, the father went back to Israel. He was shot in the legs and crawled back to Qalqilya. He vowed to me that he would cross the border again as soon as he was well. To these men, the police of Jordan and the soldiers of the Arab Legion were enemies second only to the Israelis. The government of Jordan had clamped down hard on infiltrators, seeking to halt the Israeli reprisal raids which infiltration had brought. Thus infiltration had been made a crime by Jordan, punishable by prison terms up to three years, and dozens of Qalqilyans had been arrested by Jordanian police and soldiers."

A few days after the six-day war, the June 12, 1967, *New York Times* reported: "There seems to be little doubt that the 60,000 inhabitants of the three big United Nations camps around Jericho were attacked by planes on the second day of the fighting . . . Senior UN officials believe that a pattern of expulsion is emerging. They say the Israelis appear to be concentrating on pushing out inhabitants of such frontier villages as Qalqilya and Tulkarm as well as the inhabitants of the big refugee camps . . . Israeli loudspeakers warned the inhabitants, 'You have two hours to leave. After that we cannot guarantee your safety.'"

According to a report in the June 29 *New York Times*, much of Qalqilya was destroyed *after* the fighting was over. Twenty years after the establishment of Israel, her army is still blowing up Arab villages and expelling their inhabitants in the quest for "national security"! What a monument to the six million Jews who died under Hitler!

Class composition of Israel

The Zionist coloration of the state of Israel makes it appear to some as though its leaders act on behalf of a whole people. However, the Zionist left who were instrumental in building the institutions which

* See *Zionism and the Israeli State*, a Radical Education Project pamphlet by Larry Hochman.

led to the founding of Israel—even the leftmost "Marxist" Zionists—first envisioned building a capitalist Israel with many welfare-state features. They thought that when the "ingathering of the exiles" was completed, a new "Jewish national type" could be created that would not be primarily petty bourgeois. Only *after* most of world Jewry was "ingathered" to Israel, they argued, would the stage of the struggle for socialism be at hand.

By the admission of Israel's most conscious "left" socialist-Zionist defenders, the Mapam (United Workers Party) and its worldwide organization Hashomer Hatzair, Israel is a capitalist country with heavy public ownership. After citing all the economic sectors that are publicly owned, their 1965 introductory handbook explains: "It should be noted that almost everything connected with large profits is primarily in private hands: banking, commerce, metropolitan real-estate, light industry, citrus growing." How influential is this "large profit" private sector? Is it subordinate to the public sector or is the latter, in fact, an instrument for bigger private profits?

Ya'akov Chazan, a leading Mapam spokesman, declared at a National Council meeting of his party held January 6-7, 1967: "The gravest crime committed . . . in the development of Israel's economic and social system has been the distortion of human socio-economic values. . . . Instead of reinforcing these qualities and trends of an advanced, pioneering nature, license was given to self-advancement, careerism, and self-enrichment . . . to the baser aspects of bourgeois profiteering . . . The greatest peril confronting us now is unemployment. The threat of its growth is being utilized by the employers to strengthen their own position through the threat of further discharges and layoffs, and in this way they seek to break down workers' solidarity and force the workers to acquiesce to lowered standards of living and increased exploitation . . . The situation is more critical than it seems, since unemployment is not uniformly distributed throughout the country, but has hit certain sectors more than others, in particular the development towns and certain Arab communities." (Development towns are mainly occupied by Oriental Jews from Yemen, Iraq, Algeria, etc.)

Yisrael Pinhasi, one of the central leaders of Mapam's kibbutz federation and a recent spokesman in the United States, was more specific on the policies of the ruling class in Israel in an article appearing in the November 1966 issue of *Israel Horizons*, the American magazine of Mapam. Pinhasi asked: "Why did it happen that, in spite of the huge capital investment directed especially to industry and mainly to private industry, it was not possible to set up a planned industry, based on advanced technology and efficiency, and with an ability to compete in the world market? . . . [Finance Minister] Sapir . . . seeks a solution which would make Israel's industry profitable and competitive only by attacking the wage earner . . . In the wage-cutting and the unemployment aspects of Sapir's plan, we saw an anti-social trend—a plan to assist again the capitalist line within Israel. In this case the freezing

of taxes and privileges to exporters might provide for the capitalist class a source of riches by exploiting public resources."

The privilege of the private ownership of the means of production in "progressive" Israel, which results in lack of planning, profiteering, and continuing dependence on foreign cash, is paid for by squeezing the workers, especially the poorest and most discriminated against.

The Labor-Zionist parties tied to the ruling coalition defend the current stage of "ingathering," i.e., the bourgeois stage. Mapam does not call for establishing a workers' state and socialism in Israel, but rather, in the words of Pinhasi, for "economic sacrifices on the part of the employers, companies, owners of capital as well as on the part of the workers."

In his preparatory theses for the fourth Mapam party congress in 1963, Meir Ya'ari, the party's general secretary and its most venerated and influential leader, pointed to "the growing social differentiation and the rise of parasitic elements in our economy and society . . . The advocates of capitalist liberalism in our country try to evade payment of direct taxes, and place the major burden squarely on the shoulders of the consumer, the farmer and the less privileged . . . Not one of them raises his voice against high interest speculation which exploits the producer and enriches the great many banks of our country . . . It is the anti-pioneer regime which wastes . . . the achievement of the workers and farmer . . . so as to guarantee the parasitic existence of a small minority at the expense of the great exploited majority."

Ya'ari itemized what he believed to be Israel's central shortcomings. He denounced the job-trust bureaucracy that dominates Histadrut, the central trade-union federation to which 90 per cent of the workers belong. Histadrut channels exorbitant profits to middlemen, he declared, while preventing and breaking more strikes than it calls.

Ya'ari attacked the profits of the Bank of Israel. He detailed the low wage levels of at least half the population and pointed out, ". . . most production workers now belong to the Oriental communities. To be quite frank we are concerned not only about freezing wages but with deepening the ethnic differences in the country. This social exploitation helps hold the Oriental communities, one half of the population, in their present state of economic, social and cultural discrimination . . ." Meanwhile, "A considerable number of our millionaires have demonstrated their private initiative mainly in schemes to get rich at the expense of national and public capital."

Ya'ari compared the discrimination against Oriental Jews to that against Arabs themselves: "The common denominator of the two problems is that the Arab workers must live in a hut or hovel on the outskirts of Jewish towns . . . and the worker of the Sephardic (Oriental) community is packed into a crowded slum . . ."

"We are witnesses to the desperate struggle being fought by slum dwellers in Tel Aviv whose land was sold from under them at exorbitant prices to a corporation which plans an entertainment center on the site of their homes, costing millions and perhaps tens of millions

of pounds. This land is the stage for a devil's dance of land speculation involving astronomical sums. Slums have been destroyed with the help of eviction notices. Policemen were recruited to aid the land speculators in order to evict the dwellers into the streets. Almost incredible! Women and children tried, empty-handed, to defend their homes against the policemen and their clubs, against the threat of expulsion. This is an excellent example of how the problem of slum dwellers is solved in Israel. These dwellers are primarily, if not all, members of the Sephardic community. Tens of thousands of them live from public welfare projects and the dole . . ."

While barriers to the general labor market were ultimately lifted for Arabs, they have a difficult time getting professional and white-collar jobs. "Tens of thousands of Arabs," Yosef Vaschitz wrote in 1962, "most of them young people, leave their villages in order to seek employment in the towns . . . They remain mostly in the unskilled and semi-skilled categories . . . They are unorganized for the most part. Their living conditions are very bad, especially when compared with those of the average Jewish worker, and they feel very strongly their 'relative deprivation' in comparison with the luxuries which they see before them . . ." (*Israel and the Arabs.*)

Although Histadrut finally decided in the late fifties to open its membership to Arab workers, Vaschitz points out that "there is no value in formal membership of the Histadrut as long as it is not accompanied by a fundamental change of values in the organization of employment . . . The Arab worker has not penetrated into the large-scale industry of the country, but only to the fringes of manufacture . . . because these fringes were unorganized and the institutions of the Histadrut and the [Employment] Exchanges were not equipped to avoid the penetration of the Arab worker into them; or these occupations involve hard and unpleasant work . . . or are associated with long and inconvenient hours . . ."

It is clear from these bits of authoritative testimony that the collectivist virtues represented by the kibbutzim, labor hegemony in the government-dominated Histadrut, and elements of public ownership, do not make an appreciable difference in Israel's social physiognomy — that of a capitalist state with certain special features.

The highly advertised kibbutzim represent a small section of the economy and still smaller section of the population. They are reserved only for the relatively few families enrolled who must share a common ideological and political outlook. They confront their hired hands, as well as the domestic market, as private entrepreneurs, just like any corporation, except—most bosses don't preach socialism to their employees! While some naive members and supporters appear to hold the preposterous notion that these communal settlements will chart the way to communism, the kibbutzim do not influence the overall nature of Israeli society nor its foreign policy, even though their dedicated and disciplined membership carry out tasks of land reclamation and defense that no other section of the population can, or will.

The Histadrut is largely an arm of the state, the largest employer and the biggest strikebreaker in Israel. Its original function when founded in 1922 was to create a Jewish working class at the expense of the native Arab workers, merchants, and peasants. It has become a big source of privileges, income, political power, and patronage for the Zionist establishment.

Israel consequently serves and defends special interests, as Ya'ari, Chazan and others testify. It does not by any means defend or represent all the citizens of its class-divided society, not even all the Jewish citizens, any more than the White House really defends or represents all the American people. To support Israel means to grant one's confidence to the initiative of the current bourgeois, Zionist, pro-imperialist regime which demands unity around *its* program, behind whatever adventures, reactionary alliances, and extorted deals *it* chooses to implement.

Israel's capitalist ambitions today

Since its tactical opposition to the joint British-French-Israeli aggression in Suez in 1956, Washington has taken over from the British and the French the main responsibilities for "peace-keeping" in the Middle East. But Washington has certain reservations about its intervention in the Middle East. *New York Times* Jerusalem correspondent James Feron reported a conversation with Israeli officials, June 11, 1956: "This is the way a Foreign Office official put it: The United States has come to the conclusion that it can no longer respond to every incident around the world, that it must rely on a local power—the deterrent of a friendly power—as a first line to stave off America's direct involvement.

"In the Israeli view Defense Secretary Robert S. McNamara outlined this approach last month just a few days before the Skyhawk deal was announced. In a major address in Montreal, one that attracted considerable attention in high quarters here, Mr. McNamara reviewed American commitments around the world and said:

"It is the policy of the United States to encourage and achieve a more effective partnership with those nations who can, and should, share international peace-keeping responsibilities."

"Israel feels that she fits this definition and the impression that has been conveyed by some Government officials is that Foreign Minister Abba Eban and Mr. McNamara conferred over Skyhawk details in the context of this concept when the Israeli diplomat was in Washington last February."

The June 6, 1967, *Wall Street Journal* put the following headlines on its front-page coverage of the Israeli expansion: "Neutral—to a Point: U. S. Hinges Its Policy on Hopes That Israel Will Win—and Quickly: Washington Fears It Will Be Forced to Intervene Alone If Arabs Get Upper Hand: A Vietnam in The Middle East?"

Newsweek magazine, writing after the Israeli victory June 19, declared, ". . . To Washington, the combination of Israeli muscle and U.S. sweet talk had produced eminently satisfactory results . . . As an indirect beneficiary of the Israeli blitz, the U.S. should at least be in a position to neutralize the Middle East, so that its oil can be profitably marketed and its waterways used for the benefit of world commerce . . ."

On Israel's side, there has been less need of duplicity. Beginning with Israel's support of the United States in the Korean War, the list of her pro-imperialist policies included: the brazen invasion (together with Britain and France) of Egypt in 1956; support of the French against the Algerian freedom fighters, whom Israel labeled "terrorist gangs"; support of the French atomic testing program in the Sahara, which was opposed by the Africans; training of counterrevolutionary paratroopers for the Congo's General Mobutu, accomplice in the murder of Patrice Lumumba; opposition to the admission of China into the UN; support of Jordan's King Hussein against the Palestinian refugees' attempts to overthrow him; endorsement of the Eisenhower doctrine and support of the Anglo-American intervention of troops into Lebanon and Jordan during the Iraqi revolution of 1958. Unlike the Arab leadership, the Israeli regime has refused to condemn the U.S. war in Vietnam and has found unofficial ways of indicating its sympathy with the U.S. aims, for instance, Moshe Dayan's USIA-financed trip to South Vietnam as a "journalist," earlier last year.

When Israeli premier Levi Eshkol visited Washington last year to get military aid, he insisted to Jewish leaders, including critics of the war in Vietnam, that "what Johnson does in Vietnam is right." A January 20, 1969, *New York Times* dispatch from Jerusalem reported there was a "roar of approval when Mr. Eshkol said [to the Knesset], 'He'll be remembered as one of the great Presidents of America.'" He was speaking of Lyndon Johnson!

The question isn't simply—as the Zionists sometimes put it—of having a land of their own. It is also a question of what kind of nation, of its class composition and rule. Abba Eban aspires that Israel become a miniature United States in the Middle East. He wrote in 1957: "What we aspire to is not the relationship which exists between Lebanon and Syria . . . [but] the relationship between the United States and the Latin American continent . . . of economic interaction, but across a frankly confessed gulf of historic, cultural, and linguistic differences . . . Integration is something to be avoided . . . [There] is the danger lest they [Oriental immigrants] force Israel to equalize its cultural level with that of the neighboring world . . . [We] should infuse them with an Occidental spirit, rather than allow them to draw us into an unnatural Orientalism." (*Voice of Israel*.)

Foreign Minister Eban doesn't intend to consult the Oriental Jews as to what kind of nation they want, and they constitute 50 per cent of the population of Israel. The right to be a Jew in his own land, the right

of all Jews to come and be citizens of Israel, is hedged with restrictions. It carries the requirement of supporting a state which seeks to join the privileged circle of *capitalist* nations to become "just like the other nations," that is, to become just like the Western imperialist powers. Eban told a New York victory rally, shortly after the six-day war: "We feel that we have fought and won this battle not for ourselves alone but for Jewry everywhere, and in some small measure, perhaps for the vindication and reassertion of Western Democracy."

Israeli policies flow from her character as an exclusively Jewish capitalist state, carved out at the expense of the native peoples, and plagued with typical problems of capitalist society, including class struggles, economic crises, unemployment, racism, and militarism. Israel has been propped up by outside financial aid, much of it from the Jewish communities in the United States, England, France, and South Africa. And this foreign inflow from capitalist powers, the largest per capita in the world, has enabled Israel to live beyond her means as a privileged tenant surrounded by poverty-stricken and humiliated nations.

Israel's claim to "vindicate and reassert" Western democracy has the ring of Washington's napalm bombs raining down on Vietnamese civilians—in the name of Western democracy. *New York Times* chief Saigon correspondent Charles Mohr visited the Palestine battlefield after the six-day war: "It was possible to see the bodies of several hundred Egyptian soldiers along the roads. Most of them were cut down by strafing Israeli jet planes. Many had thrown away their helmets, their weapons and even their shoes as they abandoned their ruined vehicles and tried to flee westward . . . Much of this destruction was done after the army had become a fleeing mob lacking discipline or the means to defend itself." (June 18, 1967.)

If that is what Israel is, it is not difficult to understand the response of the Arab guerrillas and their fellow liberation fighters around the world: "You want to be like these other nations who exploit, squander wealth and invade us at will? All right! But you are no longer the persecuted. You are among the persecutors, the enemy. The only ones among you who can save you from our wrath are those who are willing to take the side of the victims, the exploited, the oppressed, who are willing to struggle with us *against imperialism*, who do not ask for a special private solution, for Jews only, in partnership with it!"

There can be no special solution of the Jewish problem on a purely nationalist basis apart from the struggle for socialism. In fact, Israel is not in the privileged circles of New York, London, and Paris—and never will be. Ultimately the Jews in Israel are just as dependent on the whims of great powers as they used to be. The formation of Israel has not brought any greater measure of safety to those Jews who remain outside Israel, still a majority of world Jewry. The late Marxist historian Isaac Deutscher warned: "Let this society suffer any severe shock, such as it is bound to suffer; let there be again millions of

unemployed, and we will see the same lower-middle-class alliance with the Lumpenproletariat, from whom Hitler recruited his following, running amok with anti-Semitism. As long as the nation-state imposes its supremacy and as long as we have not an international society in existence, as long as the wealth of every nation is in the hands of one national capitalist oligarchy, we shall have chauvinism, racialism, and, as its culmination, anti-Semitism." (*The Non-Jewish Jew and Other Essays*, 1968.) Deutscher rejected the Zionist illusions of "safety in Israel" and urged the intensification of the world struggle for socialism as the only hope for saving the Jewish people and all the other peoples from the next catastrophic crimes of imperialism.

Israeli policies, on the contrary, lead further and further into a deadly trap. The Jewish National Homeland has ironically become the most dangerous place in the world for Jews to be! Israel's heightened aggressiveness makes the Mideast situation increasingly unstable and alienates her from the entire Third World and the rising young generation now undergoing radicalization.

The futility of the Israeli policy of military repression and savage retaliations—in order to "teach a lesson" to the Arabs—has become increasingly apparent. This is especially so since the 1967 aggression when Israel took over large territories from the surrounding Arab countries containing close to a million Arabs, most of whom were the Palestinian refugees who lost their homes and lands in the 1948 war and their descendants.

Israel must now bear the new burdens and risks of an occupying power obliged to control a large and hostile population no longer outside, but inside, her latest *de facto* borders. The new conditions have permitted a Palestinian resistance movement to emerge which now engages in political methods of struggle such as strikes, boycotts, protests, demonstrations and sit-ins, in addition to the activities of the new guerrilla forces. And the Israeli occupying forces act just like the occupying forces of other nations: they disperse peaceful protests and fire at demonstrators; they club men, women, children in demonstrations; they hurl tear gas; they blow up houses; they jail and deport political opponents. This is the essence of the new stage of the Arab-Israel conflict: the frenzied response of a pro-imperialist regime to the rise of national liberation struggle.

The imperialist dreams of Israel's rulers are by no means shared by the entire population of Israel. The late A.J. Liebling described a conversation with a young Sabra (native Israeli) paratrooper following the 1956 invasion:

"I looked at those people sitting there so sad. Having been born here, I speak Arabic, of course, and I talked to some. I thought, they are Palestinians like me. I felt ashamed. I thought, we have driven our neighbors from their land and we are giving it to Europeans—we are begging Europeans to come here and take our neighbors' land. But we must live with our neighbors if we are to stay here. The old

men who run the government don't understand this, because they are European, too." (*New Yorker*, March 30, 1957.)

The decisive question is whether these young people can develop a new leadership that can replace the "old men," i.e., the Zionist establishment that is dragging them towards another holocaust. What should they advocate?

Israel must repudiate its pro-imperialist orientation and fully identify with the Third World and the colonial revolution. It must recognize and admit the terrible historical injustice done to the Palestinian Arabs and offer to take them back or compensate them in resettling elsewhere in a place of their choice. The expense this would incur would in any case be less than the frightful cost threatened by the continuing conflict. Israel must announce to the world that its aim of building a nation capable of offering sanctuary to persecuted Jews depends just as much upon an honorable settlement and fraternal relations with the native Arab peoples as it does upon the "irrigation of the desert." It must call upon all nations and individuals who claim they are in favor of such a haven for persecuted Jews, who claim to favor peace in the Middle East, who claim to be remorseful about the Nazi massacres, to contribute funds instead of armaments to make this rehabilitation possible.

Such a demand would have an irresistible appeal to peoples everywhere. The rich Western powers, Washington and London particularly, who did not lift a finger to save the Jewish refugees from Hitler, who handled the refugee boats like loads of quarantined cattle, who were ready to let the gaunt survivors of the concentration camps rot in miserable displaced persons camps before admitting them, while sucking billions in oil and commercial profits from the Arab lands, could no longer play their hypocritical, self-serving game which pits the misery of a long-persecuted people against that of a colonially exploited one.

Israel must set aside the discriminatory "law of return," which grants any Jew in the world the right to immigrate while the native-born Arabs are exiled. Immigration rights must be granted on the basis of the merits of each case. Israel must lift the onerous police rule over its own legal Arab citizenry. It must abolish all forms of discrimination and exploitation against the Oriental Jews who constitute half the population and whose miserable slums are reservoirs of anti-Arab fanaticism.

In other words, a new political movement of the workers and farmers of Israel, both Jewish and Arab, representing their interests, must come to power as the only regime capable of concluding peace with the Arab people. Such a regime would repudiate Zionism, which has tied Jewish working people to the construction of a capitalist and semi-theocratic state and split them off from their natural allies among the Arab workers and peasants.

This orientation has greater possibilities now that a Palestinian liberation movement has emerged whose aim is the rehabilitation — and

redemption—of *its* people, not vindication of ambitious colonels, not the perpetration of useless revenge, not the accumulation of prestigious weapons, not the preservation of capitalist property relations or friendly ties with the big powers. Genuine negotiations would require recognition of this movement as an equal power and the working out a just settlement in which both sides would play equal roles in the rebuilding of a new Israel.

Such a new Israel would have to proceed to the building of socialism, achieved through revolutionary means by the workers' and farmers' movement. It would be capable of encouraging a similar movement in the Arab countries to overthrow the ruling classes there who now stand in the way of the socialist unfolding of the Arab revolution. Such a movement would construct an Israeli-Palestinian nation where both Hebrew and Arab peoples would be free to pursue their respective cultures, practice their religions—or *lack* of one—and provide havens for refugees from other nations when the need arises.

The Israeli Socialist Organization, a small group comprised of both Jews and Arabs now carrying on modest educational activity in Israel, most clearly represents this alternative direction for Israel. The arbitrary arrests, harassments, and jailings of ISO members merely for political expression and activity indicates how much the Zionist-capitalist regime fears its program.

The longer the Israelis dance around the golden calf of victory, the wider will be the gap of bitterness and hostility that they must eventually have to bridge for their survival. The Arab defeat in the six-day war helped impel the development of a critical and revolutionary new wing in the Arab world not tied to the native business, bureaucratic, or landed interests. This new wing, centered now among the Palestinians, is likewise showing life among the students and workers in other Arab nations. It might well prove capable of uniting the Arab peoples on an internationalist socialist program that can appeal to the poor and exploited majority of Israel *over the heads* of the present Zionist establishment, the military officers and "heroes," the labor bureaucrats, the real-estate sharks, and the government executives. There is no area of the world where the crucial need for a revolutionary socialist leadership and a socialist revolution is more clearly revealed as the only *reasonable, non-utopian, practical, and immediate* goal for peace and genuine liberation.

American revolutionaries can do their part to speed that prospect if they supply an antidote to Zionist chauvinism by creating an internationalist and socialist countertrend of thought in progressive circles and the Jewish community. In view of the close connection between the United States and Israel, such educational work may facilitate the formation of a different program, a different leadership, and a different direction by the Jewish workers and farmers of Israel.

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Ernest Mandel

THE CRISIS OF THE INTERNATIONAL MONETARY SYSTEM

The crisis in the international monetary system — foreseen by Marxists at a time when the apologists for neocapitalism were convinced that the capitalist mode of production had solved its basic contradictions¹ — is now taking the form of convulsions that follow each other with increasing rapidity: the crisis of the pound sterling, followed by its devaluation in November 1967; the crisis of the dollar in March 1968, followed by the establishment of the "two tier" price system for gold; the crisis of the French franc, accompanied by its masked devaluation, a masked revaluation of the German mark, and a new sterling crisis in November 1968. It is necessary to examine the nature and functioning of the international monetary system founded on the gold exchange standard and to relate its crisis to the fundamental contradictions rending the world capitalist system in our epoch.

Gold, the gold standard and paper money

Precious metals in general and gold in particular can serve as means of exchange and means of payment because they have value, since they are products of human labor. The equation "a ton of copper is worth a kilo of gold" means that it takes the same number of hours of labor of average productivity to produce these two quantities of metal. In a monetary system based on the gold standard, the prices of goods express equivalences of the same kind. In such a system, if \$1 equals 0.5 grams of gold, the statement that an average car is worth \$5,000 means that as many hours of labor are required to produce a car as to produce 2.5 kg. of gold.

1) 'The dilemma confronting the state in the period of capitalist decline is that of choosing between crisis and inflation. The former cannot be avoided without accentuating the latter . . . Monetary stability—which by definition is limited in time—thus appears as the insurmountable barrier against which the moderating intervention of the state in the economic cycle must collide over the long term. The contradiction between the dollar as a countercyclical instrument within the United States and the dollar as money of account on the world market has become insurmountable,' we wrote in 1961. (*Traite d'Economie Marxiste*, Vol. II, pp. 192-193.)

A feature of the capitalist system is the unceasing upheaval in labor techniques, the manifold revolutions in the productivity of labor. These upheavals come about through the *uneven* development of different industrial enterprises and different industrial sectors. Through capitalist competition and the equalization of the profit rate, those enterprises and industrial branches in which labor productivity rises above the social average, appropriate a part of the surplus value produced in other enterprises or industrial branches in which work is done below the social average of productivity.

The concrete mechanism for transferring surplus value from one enterprise or industrial branch to another is the formation of market prices. The technically advanced enterprises and branches realize superprofits when selling at market prices because their production costs are lower than those of their competitors, but it is their competitors who determine these prices. The technically backward enterprises and branches do not realize the average profit, or they even sell at a loss, because their production costs are greater than those of their competitors, who operate at social average productivity and determine market prices.

However this rule does not operate in the same way with the production of gold. The use of gold as the general equivalent, the fact that the use value of this commodity makes it sought after by *all* owners of commodities, results in a demand for this commodity which is—up to a certain point—*independent* of fluctuations in its own cost of production.

Ordinarily when an industrial branch becomes technically backward relative to the social average, when it "wastes social labor" in the course of current production, a part of its production will find no buyers, despite a considerable drop in price. A part of its productive capacity may even be shut down (a conspicuous case is the coal mining industry in the past decade). But when the capitalist economy is generally expanding, the need for gold increases *as a function of this expansion*, independently of fluctuations in the productivity of labor in the gold mines compared with other industry.²

The implication of this for owners of gold mines is that they will secure a substantial return (big superprofit) during periods of general expansion in capitalist production, if labor productivity in the mines lags behind productivity in the rest of industry, which has obviously been the case since the beginning of the century.

For a monetary system based on a gold standard, this means that the "secular" decline in the value of commodities is strongly accentuated. Let us assume the equation, 1 car equals 2.5 kg. of gold, equals \$5,000, equals 500 hours of labor. If the productivity of labor doubles

2) See Karl Marx, *Capital*, Vol. II, Part I, Chapter 6, Section 3. In periods of acute economic crisis, when the need for gold shrinks drastically and the precious metal flows out of the market into hoards, this trend is obviously interrupted. At such times, many so-called marginal mines may be closed, as was the case during the 1929-33 crisis.

in the automobile industry *while remaining constant in the gold industry*, this formula becomes 1 car equals 250 hours of labor, equals 1.25 kg. of gold equals \$2,500.

We reach a conclusion which at first sight seems paradoxical: a gold standard system condemns prices to drop very sharply as long as the gap continues to increase between relatively stagnant labor productivity in the gold mines and rapid expansion of labor productivity in the rest of industry. What would really paralyze capitalist expansion is not the "low price of gold," as Rueff and Co. believe, or the "lack of international liquidity," but the abnormally high value of gold, and the ever lower price in gold for most commodities.³

The paradox is purely superficial. The moment one leaves the regime of a gold standard and enters that of paper money, it is necessary to relate the monetary total to the gold total before one can understand the evolution of commodity prices relative to the precious metal. Now the quantity theory of money, which Marx rejected in connection with metallic money, is partially applicable to paper money. Paper money consists of *monetary tokens*. If a national currency is covered by 1,000 tons of gold and its monetary circulation increases from 35 billion to 50 billion (dollars, francs, etc.), this means that each monetary unit no longer represents 0.03 grams of gold but only 0.02 grams, that is, it has lost a third of its value.

The expression "price of gold," which is obviously meaningless under a pure gold standard, takes on an indirect meaning in a paper money system, where it registers fluctuations in the monetary total and variations in the values of various national currencies in terms of fluctuations of this total.⁴ If we disregard the tremendous inflation which has taken place on a universal scale during the past half century, we see that the prices of most commodities in terms of gold prices have really declined considerably.

Does this mean that, under a system of paper money tied to the gold standard, every expansion of the monetary total automatically causes an increase in prices? That would be true only if total production and the productivity of labor remained stable. As soon as production and

3) 'A general fall in prices can result only from a fall in the value of commodities—the value of money [of gold—E.M.] remaining constant . . .' (Karl Marx, *Capital*, Vol. I, Part I, Chapter 3, Section I, p. 99, Progress Publishers, Moscow, 1965.)

4) Under a gold standard system, gold is the instrument for measuring prices; these are expressed relative to a precise quantity of gold, for example, a pound. Under these conditions, the 'price of gold' would be expressed in the following way: 1 gram of gold is worth .002 pounds of gold, which is obviously tautological. Under a paper money system, tied to gold, this would still be true. If by definition \$1 equals 1 gram of gold, the expression 'the price of gold is \$28 an ounce (of 28 grams)' is meaningless; it is not a question of price but the result of a fixed gold coverage of paper money. It is obviously no longer the same thing when bank notes are issued in a larger amount than the total gold held at the central bank. When monetary tokens are involved, their value relative to gold is a measure of their quantity. The 'price of gold' under these conditions would be the reciprocal of the value of the paper money. Under the actual regime of a gold-exchange standard, the 'price of gold' represents the value of the dollar in terms of gold, fixed by the Federal Reserve System of the United States.

productivity increase, the monetary total can expand considerably without an increase in prices.

Suppose a national production represented by 1 billion commodity units, whose production has cost 1 billion hours of labor, and which is exchanged for \$35 billion, is equivalent to 1,000 tons of gold. If production increases in ten years to 1.5 billion commodity units, produced in 1.5 billion hours of labor, the monetary total may go from \$35 billion to \$52.5 billion, with a stable gold reserve, and the unit commodity price will remain unchanged.

It is true that each dollar will no longer represent 0.03 grams of gold but only slightly less than 0.02 grams. However, if at the same time labor productivity in all industries except gold has increased by 50 per cent, this depreciation of the dollar by 33 per cent relative to gold will not represent a decline in purchasing power. It merely expresses the fact that the totality of commodities which are exchanged against the same quantity of dollars (and gold) is now produced in 50 percent of the labor time that was socially necessary in former times.⁵ The value of paper money in gold and its value in purchasing power are therefore not necessarily identical. They can evolve in opposite directions.

The gold exchange standard, balance of payments and economic crises

What is characteristic of every system based on the gold standard—whether it is a purely metallic system or a paper money system tied to gold—is *the requirement of adjusting the monetary total to the metallic total, to the "exchange reserves."* If the legal gold cover for the dollar is 25 per cent and the exchange reserves do not exceed 25 per cent of the total bank notes, every reduction in these reserves leads to a contraction of the monetary total. In effect, it implies a decrease in the quantity of bank notes in circulation. As for credit money, it is ultimately dependent on the amount of bank notes. The whole monetary system becomes an inverted pyramid which is automatically reduced as soon as its base—the gold resting in the vaults of the central bank—contracts.

Experience has shown the capitalists and their economists that a relationship does exist between the total currency in circulation and the rhythm of concentration in general economic activity. The relationship is not a causal one, as many bourgeois schools of political economy incorrectly assume. Every expansion of economic activity is necessarily accompanied by an expansion of monetary income (both wages and profits) under capitalism. Every contraction of economic activity (recession or more serious crisis) leads to a deflation of monetary

5) We are obviously simplifying. The monetary total does not serve solely as a means of exchange for commodities; it also serves as a means of payment.

income (total or partial unemployment reduces the monetary total; profits decline, etc.). If, independently of the economic cycle, the state puts supplementary means of payment into circulation (by increasing unemployment insurance, credits and subsidies to industry, state purchases, etc.), then the effect of the recession or crisis is attenuated. However, if, independently of the economic cycle, the state *reinforces* the deflation through monetary means (by reducing salaries of public employees, unemployment insurance and credit to capitalists), then obviously the effect on the recession or crisis is aggravated.

In the first case, total buying power declines less than employment and industrial production; in the second case, total buying power declines more than employment and production. One of the reasons the crisis of 1929-32 was so violent was that, in several key capitalist countries (particularly the United States, Great Britain and Germany), a governmental policy of deflation coincided with a drop in production and employment, which already existed.

However, in a system of paper money tied to the gold standard, the central banks and capitalist governments are compelled to restrict currency circulation as soon as their exchange reserves decline. All that is needed, then, is that the onset of a recession coincide with a serious deficit in the balance of payments, compelling a government to apply a policy of deflation, for an extremely grave economic crisis to erupt. If the imperialist governments had followed Rueff's advice and returned to the gold standard, the massive flight of exchange reserves from France in May-June would have *imposed* a policy of deflation on the French government as early as that day, independently of the rise in wages and costs. France would have quickly experienced tens of thousands of bankruptcies and over a million unemployed.

It was mainly the experience of the 1929-32 crisis and the fear of a recurrence of such a cataclysm that motivated the representatives of most of the capitalist countries to go over to the "gold exchange standard" system at Bretton Woods in 1944. *In this system, the automatic adjustment of the monetary total to gold reserves* — and consequently, the automatic variation of total liquid purchasing power to variations in gold reserves — *is eliminated*.

As a matter of fact, in the new system the exchange reserve of each central bank no longer consists of gold alone; it includes gold and a certain number of favored currencies, particularly the dollar and pound sterling. A complicated mechanism, guaranteed by the International Monetary Fund, operates so that when the gold reserves of a country decrease, this can be compensated for by "reserve moneys" (dollars and pounds), or by international credits, or a combination of both.

Within each national imperialist economy, the system is completed through control of the monetary total by the central bank by means of various instruments: manipulation of discount and interest rates; control of bank credit (one of the principal sources of the creation of money in the capitalist system) through regulating the ratio of liquid assets to current liabilities, etc.

Losses of gold—balance of payments deficits—can result mainly from two movements, at least so far as the imperialist countries are concerned. They can result from an unfavorable trade balance when the deficit is not made up by "invisible" income (interest and dividends on capital invested abroad; international maritime and aviation revenue; income from tourists, etc.). They can result from an export of capital which exceeds a *surplus* in the balance of trade. The first case is true of Great Britain, the second of the United States. The first case indicates that the imperialist country is "living beyond its means," that it is liquidating its reserves. The second indicates that the imperialist country is attempting, on the contrary, to transform—in a disproportionate way—its current revenues and resources currently being produced into long-term investments.⁶

When a country is afflicted with an unfavorable balance of payments, it must liquidate its reserves and go increasingly into debt, all the more multiplying its problems. When the imperialist countries which supply the reserve funds, themselves face a chronic unfavorable balance of payments and settle their deficit by means of their own currency, two reactions in other countries are possible. These latter may need dollars and pounds for trade or military purposes, or may simply find it impossible to refuse this influx of exchange reserves of a particular kind;⁷ in this event, the system will function without too much trouble. That was the case with the pound prior to Suez and with the dollar between the Suez crisis and 1964-65. Here the role of money as *means of exchange* (on the political level as well) outweighs its role as *means of payment*.

But if the imperialist countries believe that the influx of exchange reserves is symptomatic of the *inflation* reigning in the United States; that exchange currencies are losing their standing and are constantly losing a part of their purchasing power; that the accumulation of dollar exchange reserves will result in the long run in a substantial loss in the value of their reserves,⁸ because its depreciation makes a devaluation of the dollar in terms of gold inevitable. Then they will seek to convert increasing amounts of dollars which they hold as exchange

6) A current deficit in the balance of payments always indicates an inflationary situation. Total circulating buying power in the country is greater than the value of goods and services being offered. The excess buying power attracts supplementary foreign products into such a country.

7) We should not forget that following the second world war the imperialist countries did not complain about the inflation of dollars but about their short supply on the world market. The unfavorable balance of payments of the United States—especially created by a flow of dollars to Europe and Asia in the form of 'foreign aid'—made it possible to overcome this shortage and increase exchange reserves by a much larger amount than the annual production of gold could possibly have furnished. As for the semicolonial countries, which are tributaries of the imperialist countries experiencing generally even more serious inflation than that of the dollar, their bourgeoisie, even today, considers the dollar as real stuff—not 'wallpaper money'!

8) This mishap occurred to several semicolonial governments in the sphere of influence of British imperialism, particularly several Arab countries which are large oil exporters. When the pound was devalued in November 1967, the value of their accumulated exchange reserves was sharply reduced.

reserves into gold, and the whole monetary system will be plunged into crisis. In this case, the role of reserve money as a *means of payment* and as a *stockpile of value* (reserve) overshadows its role as a *means of exchange*.

Countries whose currencies are not reserve currencies must settle deficits in their balance of payment in gold or in dollars; consequently the total of "international liquidities" stays the same. But the United States can settle its balance of payments deficits in dollars. The influx of these dollars into the other imperialist countries immediately widens the base of the inverted pyramid (exactly the same way as an influx of gold in a gold standard system would). Consequently, dollar inflation increases monetary circulation in all the imperialist countries; it feeds and amplifies universal inflation.

But we can never forget that in the final analysis the cause of this inflation is the combination of neocapitalist techniques aimed at avoiding a catastrophic crisis like the one in 1929-32. The cause of dollar inflation is the armament and war policy, the credit bubble in the private sector, growing state, business and private indebtedness.⁹ But, catastrophic economic crisis in the United States would automatically spread to all the imperialist countries, so that "choking off" American inflation at any cost would be a remedy worse than the disease for these countries. That is why it can be predicted with certainty that the inflation will persist. The whole debate relates exclusively to its extent and how its costs are to be distributed among the various powers.

There is consequently an inextricable contradiction between the dollar as a weapon of struggle against a crisis in the United States and the capitalist world, on one hand, and as a reserve money in the international monetary system, on the other hand. This contradiction is intensified by a second contradiction, that between the dollar as an international means of exchange and as an international means of payment. In the first role, the dollar should be as abundant as possible, which means in practice that its supply should be "flexible" and its value, consequently, unstable. In its second role, the dollar should be as stable as possible, which means that its supply should rigidly conform to needs, since every oversupply of token money automatically undermines its value.

This contradiction reflects a conflict of interests within the world bourgeoisie. Those who buy and sell products to the United States, the principal sector of the world market, are interested in an abundant, even inflationary, supply of dollars; fluctuations in its purchasing power (except for short-term fluctuations) are of little concern to them. But those who hold dollar credits, public and private bonds, large bank deposits, large insurance policies, are obviously interested in

9) One must not confuse the sources of monetary inflation with the causes of a rising cost of living; the latter are not reducible to the former. Here the pricing policies of the big monopolies must be taken into consideration (what they call 'administered prices' and 'pricing investment') whereby the monopolies utilize every increase in wages wrested from them by the workers to increase their profit margins.

maximum stability of the dollar's purchasing power. The central banks on a world scale and most private banks are in the second category; a good number of industrial trusts are in the first (especially if they are heavily indebted in dollars!).

International capital movements

When a balance of payments deficit is the result of an unfavorable trade balance, there can hardly be any question about the causes for losses in exchange reserves. We should note in passing, however, that such a balance of trade deficit does not necessarily reflect a basic weakness in a capitalist economy. In the nineteenth century, British capitalism could permit itself the luxury of unfavorable trade balances for long periods; its exports of industrial products were chronically lower than its imports of foodstuffs and raw materials. But this deficit was more than compensated for by "invisible" returns, above all from the profits of British foreign investments.

The sudden appearance of balance of payments deficits in countries which do not have chronic trade deficits can have various causes:

(a) It can result from a sudden inflation that outstrips the inflation rate of its major imperialist trading partners. There is a sudden deficit in the trade balance, causing a deficit in the balance of payments. This was the case in Italy in 1963 and Japan in 1963-64.

(b) It can result from "invisible" expenses which cause chronic deficits. This is one of the causes of the chronic deficits of the United States. Among such "invisible" expenses, the foreign military spending of this imperialist power must be mentioned first.

(c) It can result from a chronic excess of capital exports relative to a still favorable balance of trade, but not sufficiently favorable to finance such exports. This is in part the present situation of the United States.¹⁰

(d) It can result from a sudden movement of short-term capital.

In the fourth category we must distinguish between two types of capital movement. The first reflects the general phenomenon of "over-capitalization" of the imperialist countries, the existence of several billions of dollars which are not invested on a long-term basis, which are looking for quick gains, and which are quickly transferred from one country to the next on the basis of two criteria: the going interest rate, and forecasts of fluctuations in the purchasing power (the "value") of various national currencies. "Hot money" movements in and out of

10) We say 'in part' because an important percentage of U. S. capital invested abroad, both in Western Europe and in the semicolonial countries, does not entail any real transfer of capital from the United States, but is financed by capital borrowed in those countries. The 'capital account' of the United States is practically in equilibrium: The effective export of capital, causing an actual flow of dollars out of the U. S. is balanced by an equivalent return in interest and dividends on previously invested capital.

London have been widely cited to explain the numerous "squalls" which have hit the pound since the end of the second world war.

The second type of capital movement is linked to the appearance of big multinational trusts, the *multinational corporation*. Since, by definition, it has ramifications in a great many countries and its dimensions are gigantic (the annual transactions may well pass the state budget of a capitalist nation of average importance), it may have reasons for single transfers involving tens of millions of dollars from one country to another. Such capital movements can provoke important fluctuations in foreign exchange rates, which oscillate around official exchange rates in accordance with the law of supply and demand.

Moreover, these world trusts possess important reserves of liquid funds and are consequently interested in the rapid transfer of these reserves from one country to another when the slightest threat of monetary depreciation appears on the horizon. Even a fluctuation in exchange rates on the order of 2 per cent can represent a gain or loss of half a million dollars to a firm having liquid reserves of \$25 million distributed in five important countries. Clearly the first type of capital movement—"speculation"—and the second type, which is directly connected with the international concentration of capital, are not entirely different from each other but have a tendency to be interdependent.¹¹

Further these two types of capital movement cannot be considered as being independent of the fundamental situation in each of the imperialist powers and of the capitalist system as a whole. In the final analysis what takes place in the sphere of circulation reflects what is happening in the sphere of production. The "mistrust" the "speculators" have in a currency expresses their judgment—usually with some foundation—on the future evolution of the balance of payments, that is, on the future solidity of a given currency. Foreseeing the depreciation of a given currency, large holders get rid of it, possibly precipitating its collapse, or at least undermining it in foreign exchange markets. Anticipation of the movement of currencies, accelerates it. But in the last analysis it is not the anticipation which causes the collapse but the movement itself.

This was perfectly illustrated by the recent speculation around the French franc and the German mark. While the sudden movement of capital (surpassing in volume the equivalent of \$3 billion between Paris and Zurich and between Paris and Frankfurt, alone) *precipitated* the monetary crisis of November 1968, it was not at all the *cause* of the crisis; its causes are far deeper.

Since May, the competitive position of French industry has seriously

11) On the question of the international concentration of capital, the multinational corporation and their relationship to the growing instability of the international monetary system, see my small book *The Common Market and European-American Competition*. This book, which was published in German last year by Europaeische Verlagsanstalt in Frankfurt, will shortly be issued in French by Editions Maspéro and in English by the New Left Review Publications in London and the Monthly Review Press in New York.

deteriorated because of increased wage costs as well as more rapid inflation. This made a sharp deficit in the balance of trade inevitable, and that is the real source of the "mistrust," along with the bad humor of the big capitalists at the increase in estate duties and certain taxes affecting the bourgeoisie (which the bourgeois press, with its sublime sense of the appropriate, characterized after the event as "clumsy").

In contrast, the West German economy finds itself in a triply favorable situation following the 1966-67 recession. Prices are relatively stable, with its competitive position improving not only in respect to "natural" competitors like Great Britain, Japan, France and Italy, but even in respect to the United States (from June 1965 to June 1968, the consumer price index increased 7 points in West Germany, 9 points in Italy, 10 points in the U. S., 12 points in France, and 14 points in Great Britain). The growth rate of the total currency, from 1962 to the end of 1967, remained only 5 per cent above the growth rate of the gross national product in West Germany, whereas in France the difference rose to 15 per cent. Military and unproductive charges weighing down the budget are lighter in West Germany than in any other imperialist power, so that the internal mechanism of automatic inflation works more moderately there than elsewhere. Finally, the mark is not a reserve currency and will not become one, so that it is more sheltered from speculation on its future movement than other foreign exchange. That is the real reason why capital, which turned away from the French franc and the pound sterling, moved toward Germany.

Moreover, it can be stated that in the last analysis—without giving this formula a mechanical meaning—the relationship of forces in the foreign exchange of the imperialist countries (the average and long-term fluctuations of their exchange rates) reflects the relationship of real economic strength, the different levels of their productivity, their competitive capacity on the world market. The weakening of the dollar, whatever its contradictory aspects, and we will come back to these, is a fair reflection of a relative decline in the power of U. S. imperialism within the world capitalist system, above all compared to its close competitors (and allies).

Reforms of the international monetary system

The world bourgeoisie is obviously not passive in face of the constant deterioration of its international monetary system. Over the years, one reform project after another has been tried. Various projects have been discussed at semigovernmental and governmental levels, a particularly noteworthy occasion being the last annual meeting of the International Monetary Fund in September-October in Washington (on the eve of the November 1968 squall, which, let us note in passing, was not foreseen at all). An analysis of these various reform projects will permit us to get a closer look at the contradictions afflicting the whole international capitalist economy as well as its interimperialist contradictions.

(1) *Return to the gold standard.* This is the thesis propounded by Jacques Rueff in France and supported by the Gaullist regime. We have already indicated its dangers, which big capital and its economists are fully aware of. There is no chance whatever that this reform would be acceptable to the international bourgeoisie, beginning with the Anglo-American capitalists. De Gaulle displays the mentality of a conservative petty stockholder in his blind confidence in the "metal of unchanging value." It is the voice of his peasant ancestors, stuffing gold coins in woolen socks in the process of primitive accumulation.

It has been more than a century since the industrial capitalists, as opposed to usurers and rentiers, found out, in Marx's terms, that the quantity of social labor serving to produce the metallic means of exchange and payment represents nothing more than an overhead cost in social production, consequently reducing the real productive forces. It is in the interest of the system to reduce this quantity rather than increase it.¹²

(2) *The revaluation of gold.* In the spirit of Rueff's proposition, a return to the gold standard would have to be accompanied by an increase in the price of gold, possibly to double its present price (from \$35 to \$70 an ounce). On one hand this would stimulate gold production and cause it to flow into the vaults of the central banks.¹³ On the other hand, it would allow these banks to eliminate the use of reserve money since the entire present monetary circulation of the imperialist powers, and even a new expansion of these means of circulation, could rest on the present mass of gold, substantially revaluated. Clearly this solution, without the accompaniment of a return to the gold standard, is highly tempting to the imperialist powers. Undoubtedly it is the road being taken, in stages. Establishment of the two-price system for gold (one price on the private free market and one paid by central banks), in March 1968, marks a step toward abandoning the price of \$35 an ounce established in 1934.

What would such a reform mean? It would simply express the general

12) 'The entire amount of labor power and social means of production expended in the annual production of gold and silver intended as instruments of circulation constitutes a bulky item of the faux frais of the capitalist mode of production, of the production of commodities in general. It is an equivalent abstraction from social utilization of as many additional means of production and consumption as possible, i.e., of real wealth. To the extent that the costs of this expensive machinery of circulation are decreased, the given scale of production or the given degree of its extension remaining constant, the productive power of social labor is eo ipso increased. Hence, so far as the expediences developing with the credit system have this effect, they increase capitalist wealth directly . . .' (Karl Marx, *Capital*, Vol. II, Part II, Chapter 17, Section 2, p. 350, Progress Publishers, Moscow, 1967.)

13) The attempt to increase the 'price of gold' (devalue the dollar) has been a strong stimulus for gold hoarding over the past few years. In 1966 and 1967, the equivalent of the entire production of gold in the capitalist world wound up in the strong boxes of speculators rather than in the reserves of central banks. It is interesting to note that Marx, in the paragraph following the one cited in footnote 12, indicates that without the development of the credit system and of monetary tokens (credit money), the capitalist system would have reached a limit based on the volume of production of the precious metals.

inflation, without in the slightest degree eliminating the basic forces and causes and without even masking them. For thirty years, we are told, all prices have risen (in paper money) while the price of gold has remained stable. They forget rather quickly that in the same period there has been a prodigious upsurge in labor productivity in virtually every industrial branch, while nothing equivalent to this has happened in the gold industry.¹⁴ Expressed as values, that is, as quantities of labor socially necessary to produce both categories, the relationship between gold and other goods has therefore developed strongly in the direction of a *drop in value* for goods, as expressed in terms of gold.

By revaluating the "price of gold," we would undoubtedly wind up with a closer view of the relative relationships between the value of gold and that of other goods. But the end result would be to "legalize" the rise in prices, after a fashion, and even to stimulate this rise. (There is hardly any doubt that a rise in the price of gold would launch a process of general increase in the monetary total.) *The decline in the value of commodities*—relative to that of gold—*would therefore be expressed in a sharp increase in their price.* There is no better way of saying that the means of exchange—paper money—is being greatly inflated.

Let us add, also, that while gold is obviously undervalued under present circumstances, no one can authoritatively state what the normal market price of the metal would be if there were no official price set by the central banks. The present prices on the free market are heavily tainted by speculation in anticipation of a raise in the price of gold by the central banks. A real comparison of its value—a calculation of the quantity of labor, at worldwide average productivity, necessary to produce an ounce of gold—could provoke quite a few surprises.¹⁵

(3) *Devaluation of the dollar.* Increasing the "price of gold" would really signify a general devaluation of all currencies attached to the same gold exchange standard. But if such a devaluation occurred, the reciprocal relationships between the imperialist currencies might be reviewed. For instance, it might be the occasion for U. S. imperialism to put through a devaluation of the dollar, particularly in relation to certain currencies like the mark, the Swiss franc, the florin, even the yen and the lira. The industrial section of the American bourgeoi-

14) It is true that a constant rise in production costs, while the sale price has remained stable for more than thirty years, has spurred the capitalists exploiting gold mines to increase the rationalization of labor and to close marginal mines, so that the average productivity of labor in this sector has also increased.

15) On several occasions, American imperialist leaders have threatened to 'demonetize gold.' They believe that if the central banks stop buying gold and throw their complete stocks on the market, the price of gold—which would then be purchased only for industrial use—would slump. This would have been a far more realistic proposal in the period when the United States possessed two-thirds of the world's gold; it is no accident that they did not make it then. Today there is no chance at all the capitalist governments (let alone the workers' states) would accept such a proposal. From now on, any 'demonetization' could only be partial, and with the help of the inflation of paper money, gold would continue to be bought, both by governments and individuals, as a guaranty against periodic devaluations of foreign exchange currencies.

sie could in this way reduce the enormous spread in wage costs relative to those of its immediate competitors. This would arrest the disquieting rise of imports on the American market, and at the same time stimulate American exports. In reciprocity, the competitors of American imperialism are obviously reluctant to do this. Reluctance shifts to indignation when projects of this kind are suggested to those bourgeois — bankers or rentiers — who possess large holdings of obligations payable in dollars.

(4) *The unification of the Common Market currencies and their use as reserve money.* The creation of a "Eurofranc" has been under study for a long time. If it is to become a reality, more than unification of exchange reserves on a European scale is necessary; the establishment of a European state power is also required. Both are inconceivable in the absence of a far more advanced stage of European interpenetration of capital. For European capitalists to surrender the idea of "national sovereignty" and the use of the national state as an instrument in the defense and guarantee of monopoly profits, it is essential that their interests, the property of these monopolies, should first be Europeanized.

On the occasion of the devaluation of the pound, the possibility was brought up of a fusion between the pound and this "Eurofranc." The new currency would take over the functions of reserve money which the pound is fulfilling in an increasingly unsatisfactory way. This obviously presupposes the entry of Great Britain into the Common Market and the participation of the British bourgeoisie in the creation of great European monopolies to confront their American competitors.

But even if these conditions were fulfilled, and if the Eurofranc, as a consequence of the preponderant position which Western Europe would again occupy on the world market,¹⁶ could really fill the role of reserve currency for small imperialist countries (such as the Scandinavian countries, Australia, New Zealand) and for semicolonial countries particularly, this would only mark a return to the situation at the beginning of the nineteen-fifties, which would wind up with the same result after a certain period. For the Eurofranc would be implacably subjected to inflation, unless the European capitalists would prefer a crash of the depth of 1929. And inflation of the monetary reserve would trigger the mechanism of a crisis in the international monetary system.

(5) *The creation of a world paper money, "central bank money."* The crisis in the gold exchange standard system stems from the unavoidable inflation which attacks currency reserves, *by virtue of their function as countercyclical instruments* within the imperialist nations which issue them (and when we say "countercyclical," we obviously also imply "instruments of permanent war spending," etc.). To avoid this congenital flaw, some economists have thought up a very simple

16) The capitalist countries of Europe have over 50 per cent of world exports to their credit. Even if the internal Common Market exchanges are eliminated from this figure (and there is no justification whatsoever for such a subtraction), the figure would still be above 40 per cent.

solution: Why not create a reserve money which would *have no circulation* in any national economy at all but would only be a "central bank currency"?

This money would stand outside national inflationary pressures. It would be administered by a world council of central bank governors (or ministers of finance), who would exercise strict discipline: Its issuance would depend exclusively on the requirements of world trade and not upon the particular needs of some national power. It would be "as good as gold," because of its issue in strictly limited and measured quantities. It would solve the problem of scarcity in international liquidities and would avoid all the crises of the present system. In other words, it is a project to create a "world money." And the famous "special drawing rights" thought up last March are a first step, a rather modest one it is true, along this road.

The first important proposal along these lines was made by Keynes in 1943; he had even found a name for this world money, "*the bancor*." At Bretton Woods the Americans again advanced the proposal, which had been forgotten until the crisis in the international monetary system brought it up again twenty years later.

These proposals run into two insurmountable difficulties. In the first place, it is not true that such a system would be freed from the inflation of various "national" currencies. In reality, if the balance of payments of a country is unfavorable, and if it rejects deflation as the means for avoiding economic crisis, it will wind up by losing all of

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its gold, if it does not secure a supplementary quantity of "world reserve money." Universal inflation would wind up driving gold out of the exchange reserves of the principal debtor countries. Their reserves would begin to consist, more and more exclusively, of "world money"; the quantity of this money issued would in turn increase in a greater proportion than world exchanges, under the threat of forcing imperialist countries into deflation which they would certainly reject. The inflation of "national" currencies would therefore have repercussions on the "world money".

Also, such a "world money," administered by a "world council," presupposes a group of experts "independent" of every government and every specific imperialist power, which is a fiction, or presupposes a total and unflinching solidarity among the imperialist powers, which is a fantasy.

Unquestionably a certain *degree* of solidarity exists among the powers in face of a "common danger" (not only the bureaucratized workers' states, or the socialist revolution, as in May 1968 in France, but also the danger of a crash of the whole international monetary system). The real situation, however, is more complex; it is a *dialectical unity of solidarity and of competition among imperialist powers*. So long as there are divergent interests and competition, the "neutrality" of an "administrative council" is completely illusory; it could only reflect the relationship of forces among powers, a relationship, moreover, which is always in flux. An "administrative council of world money above the fray" (the fray of interimperialist conflicts being meant here, not the conflicts between antagonistic social forces) really presupposes a "world government," that is, "super-imperialism," a fusion of imperialist interests through co-ownership of the principal monopolies on a world scale. We are far from that state of affairs.

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The conclusion is clear: *all* of the applicable reforms of the world monetary system represent nothing but extensions of international inflation. The latter can really be suppressed only at the price of a return to the orthodox gold standard, at the price of a new economic crisis of extreme gravity. The reforms are directed at best toward attenuating the crisis in the international monetary system, not to eliminating it. This crisis will endure as long as the capitalist mode of production still manages to survive.

Significance of the international monetary crisis

On the historic scale, development of the productive forces is increasingly rebelling not only against private property in the means of production but also against the narrow limits of the national state, in which this development is being increasingly stifled. Like interimperialist wars — virtually impossible today because of the threats hanging over the whole system — the attempt at economic integration of capitalist Europe, the propaganda for the "Atlantic community," the appearance of institutions such as the "Group of Ten" (which unites the major imperialist powers), or the "gold pool," agitation favoring a world money — all of these represent the efforts of the imperialist bourgeoisie to resolve these contradictions in its own way. At the same time they reflect the impossibility of reaching stable results along this road.

The world is ripe for economic planning on a global scale. This implies a single world money, which can eliminate in a major way the overhead cost involved in the production of gold for monetary ends. But only socialism is capable of realizing these possibilities and the promises they contain. For capitalism, they will remain an eternal mirage.

One cannot plan world money on a global scale, that is, the sphere of circulation, without simultaneously planning production. The com-

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bination of a "controlled money" and anarchy in production has wound up in a permanent inflation in each imperialist nation. It is hard to see why it would wind up differently on the international level.

Private property in the means of production, meaning decentralization of important investment decisions, implies the inevitability of economic swings and anarchy in production. The irreducible spread between the increase in the capacity of social production implicit in capitalism and the limits which it imposes on the capacity for consumption by the masses, gives these fluctuations and this anarchy its periodic crises of overproduction. Neocapitalism, the third stage in the development of capitalism, cannot evade these fluctuations and these crises any more than could free competitive capitalism or classical imperialism. It can only amortize the most serious crises into more moderate recessions, at the cost of permanent inflation.

While inflation — so long as it remains moderate — is not incompatible with a more or less normal functioning of monopoly capitalism in the principal imperialist countries, it contains the danger of increasingly disturbing the world exchanges as soon as it provokes a serious crisis in the international monetary system through the inflation of international reserve currencies. This is the stage now making its debut in the history of neocapitalism. The imperialist powers will search for and apply partial remedies. Each of the remedies will reflect, apart from any desire to reform the system itself, the special competitive interests existing at each specific stage. Inflation itself will not be throttled.

The privileged position that the dollar occupied in the international monetary system for two decades reflected the exceptional situation of the American economy and the power of American imperialism within the international capitalist system. This situation has gradually changed; this power is in relative decline. Every reform of the international monetary system, however unviable it may be, will therefore necessarily reflect the new relationship of forces within the system; it will greatly reduce or even eliminate the role of the pound, reduce the role of the dollar, and will also reduce the role of gold. These relationships of forces will finally settle the question whether it will be a unified European foreign exchange or partial experiments with "world money" which will be substituted for the declining roles of gold, the pound and even the dollar, in their character as international means of payment.¹⁷

Every adjustment of the international monetary system, as well as every change in national monetary parities, is not only a weapon in interimperialist competition; it is also an instrument in the national and international class struggle. Big capital always concentrates its efforts on getting the workers to bear the expenses of monetary infla-

17) We must emphasize that the international capitalist economy is going through a real 'crisis in international liquidity' which is striking the semicolonial countries even more heavily than the imperialist ones. Prior to 1940, the total amount of exchange reserves for all countries was more or less equal to the value of annual world imports. In 1964, these reserves (only 60 per cent of which were in gold) represented merely 43 per cent of world imports.

tion and of its "reform." The crisis of the international monetary system therefore *tends to sharpen class conflicts within the imperialist countries*, since it reflects an exacerbation of interimperialist competition—with each bourgeois class attempting to "put its own house in order," that is, improve its own competitive position at the expense of its own workers. Manifestations of this trend have multiplied in Europe during the past four or five years; they will soon cross the Atlantic to hit the United States and Canada, then Japan.

The question whether in the long run all the artifices that keep the colossal inverted pyramid of credits, debts and inflated paper money standing will cave in, and whether recessions will wind up in a new crash like 1929, is not of major interest to the revolutionary movement at this stage. Marxism never tied the perspective of socialist revolution to one of an economic crisis of exceptional gravity such as the 1929 crisis (truly unique in the entire history of capital). It has simply related this perspective to the economic and social contradictions of the system. These contradictions, including the impossibility of avoiding economic crises and fluctuations, are visible and palpable today as they were yesterday, even if the crises are less serious than that of 1929 or 1937 (recessions are just that—less serious crises than those two, particularly in the number of unemployed they create).

By intensifying social conflicts, the international monetary crisis reveals the sickness of the whole system. At the same time it creates increasingly favorable situations for class struggles opening up pre-revolutionary periods, such as those which France experienced in May-June 1968.¹⁸ It is up to revolutionaries to utilize these contradictions, struggles, and recessions in order to bring about the overthrow of capitalism, which is objectively possible. To spout about a "great crash like 1929" too often covers a refusal to understand the possibilities already existing and a refusal to take advantage of them.

December 1, 1968

18) While students played the role of detonator in the the May-June 1968 explosion in France, we must not forget that the detonator could operate only because the explosive material was present. This explosive material was made up in a very precise way, apart from the general causes which are products of neocapitalism but do not explain why this explosion took place now and not in 1961 or in 1973. Its constituent elements were the residue of unsatisfied workers' demands resulting from the 'stabilization plan' of Giscard d'Estaing, the recession which that provoked in 1964, and its 'renewal' in the ordinances of 1967; also, by the rise in unemployment among the youth for a year. These two phenomena are tightly linked to inflation and the attempts to restrain it within the framework of interimperialist competition. In this connection, see Daniel Bensaid and Henri Weber, *May 1968: A General Rehearsal*, Maspero, Paris, 1968, pp. 147-151.

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