

Editorial

The Canadian Dollar, the “Recovery” and Unemployment

In recent weeks the Canadian dollar has been rising once again and is approaching parity with the U.S. dollar, as it did last year. This has been hailed by some economists as a sign of the strengthening of the Canadian economy and the beginning of the “recovery”. The same economists point to the rising stock markets as another sign of “recovery”. However, they are virtually silent on the issue of unemployment, which continues to rise, not only in Canada, but in most countries in the world. “Recovery” clearly means different things to these economists and the corporations they work for than it does to working people.

Just over one year ago, the international finance system came close to collapse when losses on bad loans totalled in the trillions of dollars. The only

factor that prevented such a collapse was the injections of several trillion dollars into the coffers of the bankers and other financiers. The pouring of so much money into the private sector could not have resulted in anything but what we are seeing today – the rebounding of stock markets and claims that the recession is over. If the financial crisis were, indeed, solely the result of the financial mismanagement of the big financial institutions, then the talk of “recovery” may even ring true. However, the fact that the biggest and most “trustworthy” financial institutions were forced to resort to unsound and often illegal measures in order to shore up their profit sheets points to a more serious underlying problem.

That problem is a worldwide surplus of productive

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Nobel Peace Prize – An Ideological Weapon of Imperialism

The Nobel Committee announced the recipient of the 2009 Nobel Peace Prize to be U.S. president Barack Obama, a president who is currently engaged in two foreign wars and threatening to engulf Pakistan and Iran in further wars. If not for the long list of warmongers who have been awarded the Peace Prize, including Henry Kissinger, Menachem Begin and Anwar Sadat, this announcement might be shocking. As it is, this is just further confirmation that the Nobel Peace Prize is an ideological weapon in the hands of the imperialists designed to confuse people and to limit their resistance.

The U.S. and European imperialists are currently involved in a very dangerous game of brinkmanship

with Iran, threatening to impose severe economic sanctions and even to bomb that country if it does not submit to imperialist bullying. The imperialists are also attempting to weaken and dismember Pakistan, in effect returning it to its former colonial status. Whoever controls the Middle East, Iran, Afghanistan and Pakistan will be in a position to threaten all of Europe and Asia, including the oil- and gas-rich regions of Central Asia and the huge populations of South Asia.

The former Bush administration aspired to seize these regions for U.S. imperialism alone and to shut out its European allies from a share in the plunder.

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capacity in relationship to the existing market. In other words, there is a very serious crisis of overproduction – or, more correctly, of under-consumption – on an international scale. The resulting surplus of commodities on world markets has been driving down prices and profit rates for almost two decades. During the 1990s, the inability of the big capitalists to maximize profits through the production of commodities led to a shift of investment capital away from production of goods and into increasingly speculative financial activities. The flood of money into the stock markets caused a bubble in the 1990s which ended with the crashes in 2000, especially in the hi-tech sector and the Asian markets.

If nothing had been done, the world would have experienced a profound economic crisis by 2001 or 2002. However, the U.S., Canadian and various European governments avoided a recession at that time by drastically relaxing debt markets in their countries, especially the mortgage markets. Hundreds of billions of dollars of cheap credit buoyed up the financial markets once again and re-inflated the financial bubble of the 1990s. As a result, the U.S. economy attracted money from all over the planet and American consumers continued their buying spree on borrowed money. Most stock markets rebounded to pre-2000 levels and China emerged as the world’s leading manufacturer and leading exporter and foreign capital poured into that country seeking low wages and maximum profits.

The problem with such a scenario in which increased consumption is based solely on debt is similar to the problem with Ponzi schemes. It can only be sustained so long as new money keeps flowing in faster than people are going bankrupt. The tipping point came in the summer of 2008 when the defaults on mortgages in the U.S. reached historic levels. The mountain of bad U.S. debt threatened to collapse and bring down the whole world financial and economic system with it.

The injection of massive amounts of capital – estimates range from six to nine trillion dollars – since September 2008 saved the capitalist financial system from collapse. Most of the big financial institutions were bailed out and their rich shareholders saved from financial ruin. However, the only net change was

the transformation of trillions of dollars of private debt into trillions of dollars of public debt. Meanwhile, the overproduction crisis raged on unabated. In fact, the end of cheap credit further exacerbated that crisis as consumers were forced to reduce spending. Some of the biggest corporations in the world, including General Motors and Chrysler, were forced into bankruptcy and a chain reaction of plant closures and layoffs ensued. In China, alone, 25 million workers were thrown out of work and, despite a partial rebound in China’s exports, those workers remain out of work as China’s economy is still operating at about 15 percent lower levels than a year ago.

In the United States, those employed in non-manufacturing sectors have been given a temporary reprieve and are buying again, but the majority of workers in the manufacturing sector are still facing layoffs and demands for wage and benefit concessions. Unemployment is still at very high levels. Mortgage defaults are running higher than they were last year leading up to the sub-prime mortgage crisis. The stimulus package in the U.S. is making it appear that there was growth in the past two quarters, but when it ends the U.S. economy will probably sink back into negative territory once again. Plus, the trillions of dollars in new public debt will require servicing, which means that even more money will be removed from the production-consumption cycle. In addition, there are increasing demands from those who benefitted from the massive government handouts for a “return to fiscal responsibility”, meaning cutbacks in spending on social services. All of these factors will serve to exacerbate the crisis of overproduction by removing money from the hands of consumers and putting it into the pockets of the rich.

The Canadian government and various Canadian economic advisors have been claiming since last year that the recession in Canada would be milder and shorter than anywhere else because the Canadian banks were better regulated and Canadian government were running surpluses. Now they are pointing to the “strong” Canadian dollar as evidence of a recovery. At the same time statistics reveal that Canadian exports have declined sharply, especially exports of manufactured commodities. There have

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Pakistan and the Expansion of the War on Afghanistan

During his run for the Democratic nomination for president, Barack Obama made it clear that he thought that the war in Iraq was a mistake and that all U.S. efforts should be focused on the war in Afghanistan. Since his inauguration Obama has been making concerted efforts to forge a new alliance to conduct that war. A central demand of both the U.S. and its allies has been that Pakistan must actively enter the war and deprive the Taliban of sanctuary in the western frontier regions of Pakistan. For many years Pakistan has resisted such a role, fearful that stirring up a hornets nest in the frontier regions would tear Pakistan apart. The Pakistan government also protested the frequent U.S. missile attacks on Pakistani civilians and U.S. armed incursions into Pakistani territory

The U.S. more or less openly supported the bid of Benazir Bhutto for power and, with her assassination, supported an alliance of opposition forces to defeat former President Musharrif. It would appear that the price for that support was a promise to wage an all-out war against the Taliban in the provinces of Pakistan bordering on Afghanistan. High level talks between the U.S. and Pakistan have been going on for months, leading to Pakistan's declaration that it was sending 30,000 troops to Waziristan province several weeks ago. The fighting in that province has been fierce with scores on both sides being killed. It has also led to a spate of bombings of civilian targets in Pakistan's major cities. One such bombing occurred during a recent visit of U.S. Secretary of State Hillary Clinton to Pakistan. It is not clear whether these bombings are being carried out by the Taliban in retaliation for the attacks by the Pakistan army or if they are the handiwork of U.S. and Pakistani intelligence services to drum up support for the war against the Taliban. However, it is clear that it

is the Pakistani people who are being made to pay for Obama's expansion of the war against Afghanistan.

Following Pakistan's entry into the war, a number of European countries pledged more troops for Afghanistan and the U.S. army is asking Obama for another infusion of troops. It is becoming clear that the war has already expanded to Pakistan and will undoubtedly expand even further in the future. This holds serious dangers not only for the people of Pakistan, but for all of the people of the Indian subcontinent. India has plans to become a regional superpower and has been looking for an excuse to attack Pakistan. If civil war in Pakistan tears the country apart, India will doubtless step in to seize whatever territory it can. India will also not be comfortable with a permanent U.S.-European military presence on its borders, challenging its superpower role in the region. So, politics in the region is bound to become even more complicated and more dangerous than it already has been.

A Rogues Gallery of Nobel Peace Prize Winners

Theodore Roosevelt	1906
George Marshall	1953
Henry Kissinger	1973
Anwar Sadat/Menachem Begin	1978
Lech Walesa	1983
Fredrik Willem De Klerk	1993
Shimon Peres/Yitzhak Rabin	1994

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been limited increases in the export of oil to the U.S. and of some minerals, mainly to China, but exports in general are down. China recently displaced Canada as the largest exporter to the U.S. by a sizable margin. Furthermore, it is not altogether true that Canada did not participate in the sub-prime mortgage debacle; most of that debt was incurred under CMHC so it did not hit the banks so hard, but it is still a mountain of potentially bad debt which can collapse at any time.

Since the value of the Canadian dollar is directly related to the volume of exports, why then is the value of the Canadian dollar rising? The main explanation is that it is rising only in relation to the U.S. dollar which is falling faster in value than the Canadian dollar. Furthermore, a rise in value of the Canadian dollar may benefit importers in the short term, it hurts

exporters by making their commodities more expensive. Therefore, a rising Canadian dollar vis-à-vis the U.S. dollar is an omen of an imminent decline in exports and, hence, in the Canadian economy, which is an export-driven economy. This, in turn, will lead to rising unemployment and deepening recession.

It is highly irresponsible for governments and economists to talk glibly about “recovery” while Canada’s economy is so integrated with that of the U.S. and unemployment in both Canada and the U.S. remains at high levels. A “recovery” while unemployment remains high is a recovery of profits only and is the kind of “recovery” that sets the stage for a further, more serious recession or depression. This talk of “recovery” is a fairy tale to lull the Canadian people to sleep and to fleece them once more before the next financial storms wreak havoc.

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Obama has promised to reverse that policy and to reward the European imperialists with a piece of the pie if they agree to a larger military role, especially in Afghanistan and Pakistan. Obama has also been attempting, with some apparent success, to forge a common front with the major European powers in bullying Iran and bringing it to its knees.

At the same time, Obama has been having difficulties on the home front. His health care proposals have met staunch opposition from the insurance industry and his attempts to rein in Israel, however small, have also met fierce opposition. Despite upholding an essentially identical policy towards Iran as that held by the Bush administration – alternating threats with dialogue – he is being attacked for being too “soft” on Iran and for proceeding too slowly.

At such a critical time for the Obama administration, the Nobel Committee came to his rescue with its decision to award him the Peace Prize. Even Obama appears to have been surprised by the decision, admitting that he has not yet done anything to deserve it. He went so far as to accept it on behalf

of U.S. imperialism as a whole, for its decades of bringing “peace and security” to the world. How much this award will do to shore up Obama’s popularity at home remains to be seen, as it has generated far more negative press in the U.S. than positive press and even his supporters appear to be confused. However, the award is clearly a vote of confidence in Obama by his European imperialist allies, a promise that they will support him through his difficult times at home so long as he keeps his end of the bargain to cut them in on the spoils of his foreign adventures.

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Editor: Ken Kalturnyk

To contact the Manitoba Branch of CPC(M-L):

Email: mrc-cpcml@mts.net

Internet: www.modern-communism.ca

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