

# Proletarian Era

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## Long Live Great November Revolution



**“The forms, the sequence, the picture of particular crises changed, but crises remained an inevitable component of the capitalist system.....That capitalism is heading for a break-down—in the sense both of individual political and economic crises and of the complete collapse of the entire capitalist system—has been made particularly clear, and on a particularly large scale, precisely by the new giant trusts. (Lenin—Marxism and Revisionism)**

## SUCI expresses grave concern at MNS Shiv Sena sponsored communal- parochial violence in Maharashtra

Comrade Nihar Mukherjee, General Secretary, SUCI, in course of statement issued on 31 October, 2008 expressed grave concern over the increasing incidents of threat, intimidation, physical assault and even killing of innocent people in Mumbai and other parts of Maharashtra by the hoodlums of Maharashtra Navanirman Sena and Shiv Sena, two arch parochial and communal forces, seemingly with an eye on ensuing elections. Comrade Mukherjee also strongly condemned the Congress-led central and state governments for doing nothing to immediately stop this wanton semi-fascist acts with a firm hand and thus shamelessly providing a hunting ground to these two noxious forces to pursue their nefarious design of persecuting, harassing including perpetrating violence against the toiling people coming to Mumbai and other places of Maharashtra from various other states.

Comrade Mukherjee called upon well-meaning democratic minded people of both Maharashtra as well as other parts of the country to come forward and resist such barbaric attacks on the common men and also urged upon both the central and state governments to contain such menacing acts forthwith.

## US economic meltdown snowballing into a major global economic crisis

# Marx's Prognosis of Capitalism Vindicated

The meltdown in the US financial markets, beginning with the sub-prime crisis and rapidly accelerating to affect an ever-wider circle of major institutions, has been unprecedented in its ferocity and impact. The bloodbath on Wall Street began with the bankruptcy of Lehman Brothers and the sale of Merrill Lynch — two of the world's biggest investment banks with combined assets of \$1.5 trillion — and a US government bailout of American International Group (AIG), the world's biggest insurer. Subsequently, Fannie Mae and Freddie Mac, two US government-sponsored mortgage lenders which were on the brink of collapse, had to be nationalized by pumping in as high as \$200 million. Two other giant investment bankers — Morgan Stanley and Goldman Sachs — had to be allowed to change their status to bank holding companies so as to bring them under supervision of the banking regulatory bodies. US Federal Deposit Insurance Corporation has facilitated sale of the banking business of Washington

Mutual, another large financial player, to J P Morgan Chase. Wachovia, a diversified financial services holding company announced selling of its banking operations to Citi group but finally got merged with Wells Fargo. To stem the slide, US government has already announced a \$700 billion bailout package for the crumbling financial behemoths. It is learnt that the bailout amount might shore up to as high as \$1 trillion. The financial crisis which has convulsed US and ensnared European economies is now taking its toll on other countries. Russia is reeling and China, India or Brazil which are called 'emerging markets' in the parlance of bourgeois economy are shaking on a tottering base. Germany,

Iceland, Britain, France, Belgium and Luxemburg have all been reportedly involved in rescuing five banks. UK government has put in about \$32.5 billion in troubled British lender Bradford & Bingley. Iceland administration has injected \$864 million to improve the credit position of the country's leading lender Glitnir. Escalating bankruptcies in the property sector and among small businesses, along with fears of a global recession, have dragged Japan's economy into the crisis and the mark of that has been in the failure of Japan's Yamato Life Insurance Company, an unlisted insurer, with \$2.7 billion in debt. And with breakout of what is called 'sub-prime crisis' on such large a scale, there is a crash in the stock markets round the globe with billions of dollars of investors' money wiped out in no time. What precisely is this specific crisis that has a snowballing effect, so much so as to send shockwaves all around and whose intensity is so deep as to remain unfathomable till date? For that, we need to understand a bit of the banking system and a bit of the relevant aspect of current operation of the financial system.

### Normal bank loans

We know that in a normal banking system, banks raise deposit from the public and then use that fund for giving loan to intending borrowers for a stipulated period at a given interest. The customers who take a loan from the bank are technically known as obligors. An obligor takes a loan from a bank by mortgaging his property. In other words, a loan is granted against security of an asset through mortgage. A mortgage loan is thus a loan secured by real property including housing property through the use of a mortgage (a legal instrument). A home buyer or builder can obtain financing (a loan) either to purchase or secure against the property from a financial institution, such as a bank, either directly or indirectly through intermediaries. Features of mortgage loans such as the size of the loan, maturity of the loan, interest rate, method of paying off the loan, and other characteristics can vary considerably. If pay back is faulted, Bank

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# Festering sore of decadent moribund capitalist economy unclothed with all accompanying stench and filth

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can attach the property. Then the property can be sold or auctioned to recover the loan amount. If such default is in respect of a house loan and there is escalation in the real estate prices, the property so sold or auctioned can fetch much higher price than the valuation made at the time of giving the loan or creating the mortgage. In that event, the lender bank gets back an amount much higher than the total principal and interest of the loan.

So there are two elements. First one is grant of loan against an asset through creation of a mortgage i.e. the prime loan where the conventional principle is that the present value of the asset is more than the principal loan amount so that the lender bank is 'covered' for the loan so disbursed. The other factor is the calculation or assessment about the possible growth or decline in the market value of the underlying asset in the days to come. This is important because while the bank before sanctioning the loan ascertains the credit-worthiness (or the capacity to pay back interest and principal as scheduled) of the borrower, it also seeks to insulate it against the eventuality of a default. Normally, loan is not granted if the intending borrower, prima facie, is not found credit-worthy. On the other hand, if there is some probability of default or in other words, the risk factor is more, lender bank after satisfying itself about the marketability of the underlying asset sanctions the loan by slapping higher interest and imposing stringent conditions.

## Securitization of loans

But with the passage of time, a system has evolved in which these loan documents can be traded in the market. So if bank 'A' grants a loan for five years and expects a stream of yearly interest flow over the period of the loan, it may, if found suitable or contingent upon, sell the loan to another bank 'B' through a market mechanism against a mutually agreed or market determined consideration based on speculative assessment about probability of default as well as changing valuation of the underlying assets. In that event, the ownership of the loan passes on from bank 'A' to bank 'B'. Thus, the loan account becomes 'liquid' (i.e. converted into cash before maturity).

The system, however, has not remained so simple but assumed much more complexity to enhance, as per version of the bourgeois economists espousing 'reforms' and championing capitalist globalization, 'depth and expanse' of capital market. The new concept is known as 'securitization'. Let us consider an ABC Bank. The loans given out by this bank are its assets. What the bank now does is that it creates a new debt security by bundling some of these loan portfolios of similar nature and sells that to the market. For example, housing loans to be repaid over a period of 60 to 90 months are bundled together. This new bundled loan instrument derives value from its underlying assets that comprise the receivables (i.e. periodic monthly instalments covering both principal and interest). For example, let us presume that there are 20 loan accounts of Rs 50 lakhs each to be repaid in 60 months and equated monthly instalment of repayment in each case is Rs 1 lakh. So the total receivable is Rs 1,200 lakhs (20 x 1 x 60 = 1200 lakhs) though the loan advanced is Rs.1,000 lakhs (20 x 50 = 1,000). ABC bank has already received 5 payments of Rs 100 lakhs (i.e. 5 x 1 x 20 = 100 lakhs). So the balance remaining is Rs 1,100 lakhs (55 x 1 x 20). The value of the new bundled security is also at that point of time Rs 1,100 lakhs. Now, the bank ABC decides that it would not keep the funds locked for 55 months but convert it into cash by selling the newly created securitized loan. So it goes to the market and sells it to another XYZ Bank. Whether the price will be Rs 1, 100 or more or less will depend on how both the seller and buyer assess the future valuation of the bundled portfolio so securitized in which probability of default, salvage value of underlying housing properties etc. are all considered. In other words, it opened a new area of speculation that extended even to manipulation of real estate prices.

## Investment banking and leveraged assets

In order to procure marketable securities from sellers and offer the same to the intending buyers (like mutual funds, pension funds, governments, banks and other financial entities), a new kind of banking called investment banking has been introduced in the financial

system. Lehman Brothers, Merrill Lynch, Goldman Sachs, Fannie Mae and Freddie Mace have all been investment bankers. As securitized housing mortgages are also marketable instruments, the investment bankers deal with those securities as well. After acquiring the housing mortgages, the investment bankers had been getting the same insured by some insurance giant like AIG against modest premium. Moreover, they were also appointing organizations like J P Morgan (called administrators or servicers) to collect against payment of fees periodic payments from the obligors. So right from a retail banker to investment banker, insurance company, mutual fund, pension fund, large banking corporation, individual borrower—everyone was involved in this chain of revolving credit over housing. What is noteworthy is that while the prime loan was sanctioned against a particular housing property, a series of speculative and financing activities were taking place around it and everyone other than the original borrower was harvesting substantial gains in the process.

As seen above, the creator bank of the original mortgage was happy because it did not have its funds locked on longer term and were freed from the risk of default, if any. With no worry of default bothering any more and availability of ready cash through sale of the securitized mortgages, the bank was in a position to advance more loans at shorter cycles and thereby book hefty profit. Since it did not have to bother about the solvency of the prime borrower any more, it was liberalizing the parameters of determining creditworthiness of the borrower. Consequently loans were being given away to those with weaker credit scores, without verification of income or assets, lowering of interest below prime rate etc. These were known as sub-prime loans which grew in large numbers. As home loans were easy to get, more and more people were buying houses through that route. The increased demand for houses caused unusual spurt in the realty price. The rising prices created even more demand, as people started to look at housing as a lucrative investment. The booming demands in real estate market hyped up the prices of the mortgaged assets manifold. So there was scrambling

for acquiring more of housing mortgages mainly by the investment bankers looking for augmented profit through trading of these instruments. It was such a kind of hoopla that many of the investment bankers were raising fresh loans at attractive terms by hypothecating securitized mortgages to finance their other activities. Such act resulted in borrowing of amounts many times higher than that of the actual values of loans and underlying assets. This is called 'leveraged assets' and Lehman Brothers, for instance, had tons of that. In other words, investment banks started betting their own capital on risky assets — and illiquid assets at that. Worse, they chose to increase leverage to stratospheric heights. In August last, Lehman Brothers had a leverage of 20:1 (i.e. raising a loan of Rs 20 against asset backing worth of Re 1). Thus credit was shoveled out the door, and sub-prime mortgages were made available to just anyone knocking for the same. Credit-card debt mounted to a whopping \$900 billion in US by the summer of 2007. As we had shown above, house prices were pushed up by the flood of cheap housing loans, allowing many home owners to convert part of their equity into additional spending power. This in turn boosted consumer spending. Thus infusions were huge by way of debt-funding or revolving credit in these speculative transactions over housing mortgages leading to creation of a large bubble in the economy that the pundits were euphorically projecting as 'spectacular growth'.

The insurance companies were also upbeat because of increasing business from a newly emergent sector. Likewise, there was revelry among the investors like mutual funds and pension funds as well because they were in a position to acquire duly insured securities through well-known investment bankers. A new source of income was also welcomed by the agencies appointed for collecting periodic instalments.

## Sub-prime crisis

So far so good! But while the intermediaries like investment bankers were busy increasing their credibility and credit rating through inflated asset base generated

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# Why this terrible communal strife in Assam ?

Assam has once more become the scene of bloody communal strifes. In conflicts between the Bodo and the Muslim communities in different parts of Udalguri and Darrang districts from 3 October last onwards, at least 60 people have already lost their lives. More dead bodies are being discovered every day. Over 500 houses have been burnt up. Over 150,000 people, having lost their homes or being panicky, have been forced to take shelter in relief camps. As a result of government inaction, the situation has not yet calmed down, rather the other districts of the state also have started getting affected. The people of the whole state live under the apprehension of a terrible communal conflagration.

As a result of the utter inaction and failure of the Congress government of the state to control the strife-riven situation on a war-footing and in protecting the life and property of the people, smouldering grievances have accumulated in the minds of the people. Given the present advanced state of communication and transportation, it should not take a government more than 24 hours to bring such communal strife under control if it has the political will to do so. But the way in which the strifes have continued for days on end clearly shows lack of such will. The CRPF and the military were employed to assist the police to show the promptness of the government but the communal attacks were launched before their very eyes, as witnessed by the direct sufferers themselves. It should be mentioned that in the very same areas presently affected by strifes, there had been incidents of attack on the Muslims by the Bodo separatists and parochialists about two months earlier. As a result, fear and apprehension were present among both the communities. Even with this background, there had been no will or initiative of the government to restore peace and amity between the two communities. So, lack of good will of the government is nothing new. The essence of their politics is to destroy the unity between the different sections of the exploited masses by creating rifts and conflicts between them in order to obstruct development of united movement of the people against capitalist class rule and to reap political benefit by taking advantage of the situation. The present communal clashes in Udalguri and Darrang are not isolated events. Frequent occurrence of such communal clashes are the inevitable consequences of the politics that have been pursued in the state by parties and organizations like the AASU, BJP, RSS, AGP and Congress for the past 28/29 years. So, without an adequate understanding of this politics of theirs, the present incidents cannot

be correctly understood.

From the second half of 1979, the rabid provincialist and communal forces of Assam started raising a hue and cry of propaganda in unison that "Hundreds of thousands of people from Bangladesh are daily infiltrating into Assam", "The Assamese-speaking people are about to become a minority in their own state", "The international boundary has become an open one", "This is a pre-planned operation", "The very existence of the Assamese people is at stake", "The Assamese language-culture-political rights will be obliterated for ever", etc. Through all such propaganda, they raked up the sentiment of the Assamese-speaking people to generate a mentality of racial hatred among them and started the "Assam movement" on the basis of that. As a result of this, the majority and minority peoples of Assam had become divided into two mutually antagonistic camps. Being alarmed at the rapid growth of leftism and leftist movement in the state at that time, all the reactionary political parties and organizations, with the backing of the rising capitalist class of the state, joined hands to give birth to the "Assam Movement" with the object of destroying the growing leftist movement. Although political parties and organizations like AASU, RSS and BJP played the leading role in that movement, the Congress, after it was removed from power for the first time through the 1978 Assembly election, in its bid to return to power, provided support to the separatist tendency active in the "Assam Movement" on the one hand, while on the other, posing as the saviour of people of the minority community, it instigated them on the basis of communal mentality, thus playing a heinous two-faced role. Although perception regarding the dimension of the problem differed, yet there was no difference of opinion between the political parties and organizations on the question of foreign nationals living in Assam.

But the participants in the movement, by motivatedly raising unrealistic and exaggerated demands, by generating a mentality of racial hatred and by launching attacks on the minority people at different places killing many thousands, had created a strife-torn situation as a result of which the people had become divided. The interests of all sections of exploited people suffering from onslaughts of capitalist rule and exploitation are one and the same. Rule and exploitation by the exploiting capitalist class is the basic cause of the economic and political crisis in the lives of all nationalities and sections of the masses. In such situation, it is through united struggle that the people have to survive. So, not to speak of one exploited person taking away the economic and political rights of another, the exploited people of all sections have to struggle unitedly for restoring the economic and political rights of all sections of the people that are being daily snatched away by the capitalist class. As opposed to these scientific concepts, the concept of conflicting interests of different sections of the people came out of the womb of the "Assam Movement" which not only created a strife-laden situation but also nurtured various parochial and separatist mentalities.

At that time, with the object of an immediate solution of this dangerous situation, the Assam State Committee of our party had formulated a 4-point proposal in 1980 as follows :

1. To remove all kinds of apprehensions all necessary steps are to be taken anew to keep the international border free from clandestine infiltration of foreign nationals.
2. The Constitution should be amended or a special resolution should be adopted by the Parliament to accord permanent status to Assamese as the state language irrespective of changes of demographic composition of the population but without infringing upon the present rights of the linguistic minorities granted by the Constitution;
3. A definite action-plan should be announced to build up large and medium scale industrial enterprises in the state to tackle the ever-increasing unemployment problem;

4. On the basis of the Constitution, other relevant laws, international treaties and national commitments, 25 March, 1971 should be considered as the cut off year in identifying actually who are the foreign nationals.

Although the well-meaning people of all sections in the state welcomed this proposal for solution, neither the leaders of the "Assam Movement" nor the central and the state governments gave due importance to this proposal that it deserved. Their motive was clear, they wanted to keep the problem alive.

The people may perhaps remember that the 6-year long movement ended with the drawing up of the so called "Assam accord". Although the importance of the 4-point solution formulation proposed by our party was not fully realized, 25 March, 1971 was adopted as the cut off year for identification of foreign nationals through the pressure of democratic-minded people of Assam and the rest of the country, and the IMDT Act was enacted to govern identification of foreign nationals in order to allay the fear and apprehension that had been created in the minds of the people of the minority community and various tribunals were set up on the basis of that Act. In conclusion of the so called "Assam Movement", the AGP party formed by the then AASU and others leading the movement came into power in the state. They took up identification of foreign nationals as their main programme of work and instructed all police stations to identify the foreign nationals. But even after meticulous searching, they could identify only a few thousand as foreign nationals. This clearly exposed the malicious campaign of the chauvinists and communalists represented by RSS, BJP and AASU who cried hoarse to the effect that more than 50-60 lakhs Bangladeshi nationals had infiltrated into Assam to be a false malicious one. But despite this, the participants in the movement, being guided by a mentality of racial animosity, never stopped their propaganda and attacks against the minority people even for a single day. In the name of drawing up voters' list, the officers detailed by the AGP government for the purpose rejected all papers submitted by the people of the minority community as proof of their citizenship and deleted the names of

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## Bourgeois parties directly instigate ultra provincial and communal frenzy in Assam

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hundreds of thousands of the minority people from the voters' list. As a result of such activities, the mental chasm between the peoples of the majority and the minority communities, instead of narrowing down, continued to widen further.

The "Assam Movement" and the AGP rule not only created a rift between the majority and the minority communities, but also gave birth various fissiparous and extremely separatist tendencies and entities. As a result of this, the concept of asserting and protecting separate entity gained ground among the various other indigenous population groups in the state. The AGP, after coming into power, issued instructions for making the Assamese language compulsory without paying any heed to the feelings and sentiments of the people belonging to other ethnic groups. This provided opportunity to the separatist forces to raise their heads among the different ethnic groups in Assam. The Bodo movement on the demand of a separate state or autonomous region for the Bodos became strident. Later on, when the Congress came to form the government, it instigated the ethnic feelings of the groups like Rava, Miching, Lalung, Chutiya and Dimacha to raise demands for autonomy. As a result, quite a few autonomous regions sprang up in the state and the rift between the different sections of the people widened. Not only the environment of friendship and amity between the different groups of people that once existed in the state and the natural process of assimilation that had been going on uninterruptedly have been destroyed by this, but the geographical integrity of state itself has been endangered.

The rabid provincialist, separatist and communal forces of Assam did never stop their propaganda of racial hatred, communalism and parochialism even in view of the grave and heart-rending situation. When it became clear during the AGP rule that it was no way possible to brand the Indian nationals belonging to the minority community as foreign nationals through the judiciary and the legal process, they raised the demand for repeal the IMDT Act which provided a kind of safeguard to the minority people. With this object, the AASU,

with the support of the other provincialist forces, filed a suit in the Supreme Court on the demand of repeal of the Act. Although this suit was instituted during the AGP rule, the Congress again came into power even while the proceedings were still continuing. The Congress government had the opportunity to submit a fresh affidavit substituting the affidavit submitted earlier by the AGP government, explaining the background in which the IMDT Act had been adopted and highlighting its necessity and justification. But it did not do so and cooperated with the rabid chauvinist forces. As a result, the Supreme Court revoked the Act on the basis of wrong data and presentation. Our party had stated then clearly that a basic tenet of jurisprudence, of democratic judicial principles is that the burden of proving the guilt of the accused lies on the accuser. Although the IMDT had been framed on the basis of this principle, the law known as Foreigners' Act 1946 that was put into force in its place was the Act about foreign nationals that had been enacted in 1946 during the British rule in a different background, and not framed on the basis of the basic principle of jurisprudence mentioned above. That is why we strongly demanded restoration of this basic principle of jurisprudence. But the government has taken no steps in the matter till now. The revoking of the IMDT Act was but a part of the evil design and conspiracy of the rabid chauvinist and communalist forces guided blatantly by racial hatred.

Once the IMDT Act was revoked, these reactionary forces brought about attacks on the minority people with fresh energy. Attacks went on one after another at different places in the state. The poor Muslim people plagued with erosion of the banks of the Brahmaputra and pauperised by the economic process, were forced to spread out to different areas of the state in search of livelihood. The evil forces subjected these poor people of the minority community engaged in somehow eking out a living by plying push-carts and rickshaws to indescribable persecution and drove them out from those areas branding them as foreign nationals. So the minority people were faced with grave crisis not only on the questions of their security and citizenship but also on the question

of their livelihood. Not only in the state of Assam, but these chauvinist and communal forces have joined hands with the chauvinist forces in the adjoining states to launch attacks on the people of the minority community. The way in which these reactionary forces in the Arunachal Pradesh conducted attacks at regular intervals on thousands of people of the minority community till just one month back and drove them out of the state with the direct backing of the state government and snatched away all their papers relating to proof of their citizenship and their inner-line permit has hardly any parallel in civilized countries.

The present spate of communal attack organized in Udalguri and Darrang districts is but a form of this well-knit serial attack. But it should be noted that the present strife-torn areas are mostly in the Bodo autonomous region. At the time of formation of the Bodo autonomous region, it being an offshoot of the "Assam Movement", our party sounded the caution that there would not be even the slightest improvement in the lives of the common Bodo people through formation of the autonomous region but merely a privileged section of the Bodos would emerge which, wielding power, would make the life of the common Bodo people even more unbearable; and when grievances against their rule would appear in the minds of the Bodo people, then they, in order to misdirect it, would instigate the Bodo people to clash with the larger non-Bodo masses living in the region. This is exactly what is happening today. The Bodo parochial forces are providing fuel to the attacks aimed at driving out the so-called foreigners. It should be mentioned here that just before the present attacks were organized, the BJP leader Lal Krishna Advani had come on a tour of Assam when he had sat in a meeting with the separatist Bodo leaders. In the same way in which the BJP is now engineering communal attacks in different states of the country, here too it has instigated the Bodo leadership with the same aim. So, it is not difficult to understand whose hands are active behind the present clashes in Assam.

Today, the whole state of Assam is plagued with racist attacks, strifes between different population

groups. These destructive activities will not cease unless all sections of the people of the state can be freed from the poisonous thinking spread by the evil forces. For this, it is necessary to adopt the correct ideology and principles, determine the correct political line and to give birth to the correct leadership on the basis of these; that is, to correctly determine whom shall the people fight against and in alliance with which forces, what would their guiding ideology be and what should be the form and character of the leadership in this struggle. It should be realised at the very beginning that the political forces nurtured with the backing of the capitalist class, be it the BJP, AGP or the Congress, are all political parties serving the interest of the capitalists. Not only they do not desire the unity of the people against capitalist exploitation and rule, but they are actually afraid of it. So they want to nip in the bud any possibility of united movement by the people. On the other hand, the common exploited people belonging to different religions, castes, communities and population groups being daily stricken with problems and crises, are agitated, but because of their lack of consciousness, are not in a position to correctly realize that it is the capitalist rule and exploitation that are responsible for their plight. Taking advantage of this lack of consciousness of theirs, the seasoned bourgeois parties are inciting one section of the people against another, thus embroiling them in fratricidal strifes.

It is important to note that different bourgeois parties and various regional evil forces have been engaged in such conspiratorial politics for long. The need of the hour is to bring about consciousness among the Assamese-speaking people and the different non-Assamese sections of the people that it is capitalism that is responsible for the basic problems in their lives. For that, it is necessary to build up united democratic movement of the people irrespective of their religion, caste, language or ethnicity. The SUCI is engaged in this effort. But the CPM and the CPI are playing no role at all in developing such mass movement based on leftist ideology. Whatever may be their pretension they are in practice helping parochialism and chauvinism. They have no qualms in

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# Surfeit of speculative activities marks moribund capitalism

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through the process of wanton leveraging, creditworthiness of the obligors many of whom were in the category of sub-prime borrowers (borrowers at liberalized terms) plunged to nil. Default rate soared sky high leading to massive foreclosures of loans (confiscation of homes by lender because of payment default). Lots of properties and houses acquired by the investment bankers or other investors against foreclosed loans were suddenly put on sale. But there were no takers as the artificially boosted up prices were not affordable to any cash-strapped individual. In the face of such an imbroglio, people were wary of taking loans to buy these auctioned properties. As a result, supply outstripped demand and real estate prices came down drastically. Banks, which gave away loans assuming that they would make enough money by selling defaulters' properties at hefty sum in prevailing realty boom, got into trouble as in a falling real estate market there was practically no scope for even retrieving loan amount by selling confiscated property. It spelt disaster for the lending investment banks and other investors. Value of housing mortgages hitherto inflated by way of artificial stimulation plummeted to the bottom. Initially, the insurance companies were trying to settle the claims. But with the number of claims mounting by leaps and bounds, they threw up their hands and declared themselves insolvent.

This is how the bubble burst. When a housing loan advanced by a bank becomes bad, we may call it prime crisis. But when there is a crash in the value of loan instruments created through securitization of receivables from a bundle of loans following a complex mechanism and there is no scope for raising money by pledging those securities, it is called sub-prime crisis. And as the giants collapsed, there was pressure on mutual funds, pension funds, insurers, banks and all sundries to scurry for unwinding their other holdings to meet redemption and payment pressures. With panic so overwhelming and everyone scampering for cash, there the stock markets crashed with selling pressure far surpassing buying demand. In spite of the desperate efforts by the imperialist-capitalist governments of various countries to pump in liquid cash in

the market to arrest the slide in the stock market, there is no respite from the ongoing fall with the 'bottom' still invisible. This is, in short, the genesis of sub-prime crisis and 'bloodbath' in stock market.

## Impact of the crisis on US

Today's financial links between nations are "like a spider web." The doctrine of capitalist globalization that world imperialism-capitalism embarked upon after dismantling of the mighty socialist camp caused by worst revisionist conspiracy aided and abetted by imperialist machination, strongly pitched for, among other things, an integration of global capitalist market and free flow of finance capital across the border. And with unabated decline in manufacturing industry because of depleting purchasing power of the people inevitable in capitalist economy, this capital flow was meant to be mainly in the areas of speculation and usury. In the name of bringing reforms in the banking and financial sectors, a comprehensive plan was rolled out to widen the activities of speculative capital and money markets. To provide, what the bourgeois economists call 'depth and expanse of the capital market', a plethora of emerging 'market securities' like securitized mortgages, derivatives, currency and interest swaps was introduced. Aside that, various methods of fuelling this speculation like short-selling of shares, hedging, participatory note mechanism and so forth were also brought into the system. Clearly, the financial world with floating currencies, margins and credit defaults has become so widespread, interlinked and complicated that the butterfly effect triggered by a dominant economy like US has developed into a raging storm which shows no sign of being petered out. Fears are mounting that the crisis could widen beyond sub-prime mortgages to higher quality housing loans and credit card debt.

So the impact of this frenzied financial speculation propelled by cheap credit is felt throughout the world and with increasing virulence. Over the last few years, the idea of 'decoupling' has been popular among both speculators and government policymakers. Europe and Asia, it was claimed by the bourgeois economists, were increasing their own internal trade, becoming less reliant on the US market. This illusion arose on the basis of the slowdown of the US

economy during 2007, while China, India and other economies were shown as accelerating. The fantasy of 'decoupling' has already been dispelled by the beginnings of a slowdown in Europe and Asia. Instead, there is, in reality, a 'recoupling'. Inevitably, if the US goes down it will drag the rest of the world with it, to a greater or lesser extent.

Now, US is in severe recession—much more in magnitude compared to the great depression of the early 30s of last century. Recession, as we know, indicates a state of economic downturn when the level of production declines, unemployment rises and consumer spending dries up. With US consumers plagued by declining income pulling back sharply, industrial production suffers its sharpest drop in 34 years evidencing a rapid deterioration in the economy. So the economy is stagnating and there is massive stockpiling of industrial goods. Seeing no profit potential, shutters are downed on manufacturing industries. Hence, the idle capital that could not be deployed in productive investment is being diverted to speculation. On the other hand, because of limitless speculative activities powered by massive injection of funds, both accounted and non-accounted, by the market manipulators and gamblers as well as wide scale deficit financing (printing of currency notes), there is spiralling inflation pushing up prices eroding further the purchasing power of the common people. To make things worse for the economy in tatters under aforesaid condition of 'stagflation' (inflation + stagnation), orgy of credit-fuelled speculation and profiteering inevitably reached its limits and resulted in a massive credit crunch. With credit, key source for big-spending Americans, drying up and banks increasingly reluctant to lend, fearing crippling losses from sub-prime mortgage investments, US households find it harder to borrow. The high-street boom, as seen earlier, was largely financed by the increase in debt, both on unsecured loans and equity withdrawal from houses that had shot up in value. As consumers' focus switches from borrowing to paying off their debts and saving, there will be less money to spend in the shops and the current retail slump may last for some time. And panic has now spread from

wholesale markets and professional investors to consumers and retail investors, who are withdrawing their money from stocks and mutual funds. This further raises the risk of a sharper than expected pull-back in spending by consumers, in particular overstretched US consumers, which could deepen or lengthen the downturn. With puncturing of the housing bubble, the credit crisis does not look like it will be resolved soon. In fact, it looks like the worst is yet to come. And without credit, speculation cannot thrive. If there is no speculation, globalized economy cannot operate at all.

It may be recalled that the highly clamoured technology boom of the 1990s also brought a kind of euphoria in the bourgeois circles of US and Europe. Bourgeois economists propagated that the world had moved into a 'new economy' immune from the classical cycle of boom and slump. Corporate chieftains and financial manipulators of Wall Street, Frankfurt and London embarked upon wild investment programmes, brazen insider trading schemes and accounting cover-ups to portray high profits. But after Enron, WorldCom and many other large corporations crashed in high profile lawsuits and bankruptcies, stock markets plunged in 2000 and economies of the rich countries looked very shaky. US with huge and growing balance sheets looked most vulnerable. Likewise, it was claimed that though manufacturing had become a sunset industry, emerging service sector would open up a new vista. But now with onset of the current crisis, this service industry mostly based on outsourcing of jobs related primarily to financial sector is in jeopardy with lakhs facing retrenchment and wage cut.

With the outbreak of the present crisis, the halo so long created by the capitalist-imperialist propaganda machine about the economic might of imperialist US is shattered beyond doubt. It is now exposed that the so-called might is nothing but a highly inflated bubble crafted by limitless speculation, hyper-leveraging, accounting juggleries and credit-driven artificial demand. In fact, the whole structure of US economy is standing on quicksand. The sub-prime crisis has also demonstrated the hollowness of capitalist globalization cheered to

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# No respite for capitalism from crisis endemic of the system

*Contd. from page 5*

the rooftop as 'new economy' poised to beget unhindered growth and prosperity in the unipolar world.

## Global impact

With globalization, America's economy and the rest of the world have become increasingly interwoven. The ratio of rising debt to GDP has fuelled US growth in the past several decades (it went from 240% in 1990 to 340% in 2006). With total debt/GDP suddenly flattening, the US has plunged into recession. Once US debt/GDP has fallen, the world is in grip of recession, because US accounts for at least 20% of world consumer market.

This year, what began as a problem in one sector of the U.S. housing market — mortgages for borrowers with poor credit histories — has infected credit markets worldwide. That's because global financial institutions repackaged those American mortgages as sophisticated securities and sold them to banks, corporations and local governments around the globe. Take for example, the bad American mortgages. As families default, the owners of the mortgages find themselves holding worthless pieces of paper. The originators of these problem mortgages had already sold them to others, who packaged them, in a non-transparent way, with other assets, and passed them on once again to unidentified others. When the problems became apparent, global financial markets faced real tremors. It was discovered that billions in bad mortgages were hidden in portfolios in Europe, China, and Australia. Indonesia and other developing countries suffered as global risk premiums soared, and investors pulled money out of these emerging markets, looking for safer havens. China and Japan, which are the two biggest holders by far of US national debt and net exporters to the US stand to lose the most from steep dollar devaluation concomitant to the crisis.

Under the impact of US sub-prime crisis, European economy is facing appreciable slowdown and becoming sluggish. As a result of this the rate of unemployment is on the rise. Owing to this situation, the properties are being sold at a compromising rate. Studies state that Britain is a country which has the highest number of debtors. Approximately USD\$2.7 trillion is

yet to be paid back by the debtors of Britain on consumer loans. The German economy, Europe's biggest, is on the brink of recession. Unemployment is at almost 5 million, according to figures released of late while the latest survey suggests a third of German workers are worried about keeping their jobs. The weakness has spread to Italy with its currency heavily dependent on Germany as an export market. Analysts warned that the Dutch economy, one of the few Continental success stories of the 1990's, is also in doldrums. Singapore has already announced recession in its economy. With the US and Chinese economies increasingly intertwined through investment, trade and lending, any crisis felt by one will be immediately felt in the other. That, in turn, would ripple throughout the economies of the entire capitalist world. The idea that capitalist China could rapidly switch to stimulating domestic demand is fanciful since with closures of factories, lay-offs, low wage levels, growing unemployment and huge inequalities, domestic purchasing power can never increase. Hence, any shrinkage in the exports to US and Europe will land Chinese economy in further peril.

One would notice that notwithstanding recurring assurance by 'economist' Prime Minister', 'foreign educated' Finance Minister and other 'experts' in the bureaucracy and intelligentsia of India, contagion has not spared Indian economy as well. Stock market is experiencing a steep fall. The government has acknowledged that the economy is in recession. Possibility of decoupling from the US or European economies has also been ruled out. Already there is massive withdrawal of investment by the Foreign Institutional Investors from Indian stock market resulting in considerable depletion of foreign currency reserve and substantial fall in the value of rupee. As many as 14 commercial banks including 11 in the public sector have been found to be well short of the benchmark capital adequacy ratio of 12% indicating that all of them are badly hit by the global economic crisis. Despite a slew of fire fighting measures by the Reserve Bank of India to prevent Indian economy going bust, there is no sign of improvement. Rather, the movement is from bad to worse signaling augury of increased plight

and predicament of the Indian poor.

## Why this crisis

Apologists of capitalist economy are trying to project before the people that this crisis has been due to certain faults in the system that escaped notice of the regulators and policy makers. It is said that the predicament is attributable to the overflowing greed of some banks and Mortgage Institutions for making sudden super profits bypassing prudential norms. Bush administration has announced that Federal Bureau of Investigation (FBI) would probe into the matter and identify the culprits. Moving a step further Australian Prime Minister Kevin Rudd commented that the global economic crisis is a result of the "comprehensive failure of extreme capitalism." French President Sarkozy held 'Anglo-Saxon no-holds barred Darwinian market capitalism symbolized by Wall Street greed ranging from obscene bonuses to golden parachutes' responsible for the debacle. Some are ascribing the current crisis to the conventional cycle of slum and boom of capitalist economy. And curiously enough, the protagonists of free market economy and abolition of all government control over the market mechanism slated to govern economic activities are now pressing for large scale subvention by the government to rescue the wronged private operators and institutions.

Whatever may be their contention, explanation or salvage prescriptions, the current crisis which is not only confined to housing mortgage sector and stock market mayhem but has engulfed the overall economy with unprecedented recession coupled with mounting inflation being manifest with all accompanying horror, the fact is that it has thoroughly exposed the fragility of the capitalist economic system. All boasts about the omnipotence of globalization and market economy have proved to be bogus. The crisis has not been clutched out of the thin air or injected by anyone from outside. The ruling bourgeoisie cannot hold anybody responsible for this since it is their own creation, an inevitable fallout of the inner contradictions of the very capitalist economic system which is based on ruthless exploitation of labour by capital. More the capitalists amass wealth by increasing profit through impounding of surplus value, more

squeezed are the working people. More the working populace is squeezed, more pauperized it is and hence dispossessed of the purchasing power. If the purchasing power of the people falls, there is no sale of goods in the market at the price fixed by the capitalist owners to ensure booking of maximum profit. So there is stockpiling of goods leading to recession. If there is no off-take of goods in the market, the capitalists stop production. So industries get closed rendering millions jobless. On the other hand, with scope for maximum profit dwindling, the capitalist owners try to cut production cost by drastically reducing manpower and opt for a few higher technology-driven productions. So unemployment soars. Bereft of employment, income of the households dips even lower causing further squeezing of the market for the capitalists. This is the vicious cycle of capitalism now in its death throes.

It may be recalled that such inevitability was not unforeseen but duly visualized by eminent Marxist thinkers. Marx was categorical in his assertion that capitalism had no future and unless capitalism was overthrown, the path of progress of mankind and civilization would remain hindered. Lenin, his worthy disciple, in course of enriching Marxian science showed that with capitalism attaining the stage of imperialism, it had entered the stage of decadence. Now, it had no escape from crisis to stave off which it would increasingly resort to militarism, war and all kinds of speculative activities in which banks would play a significant role. Based on the teachings and guidelines of his illustrious predecessors, Comrade Shibdas Ghosh, founder General Secretary, SUCI, and one of the foremost Marxist thinkers of the era in course of elaborating the proposition of Stalin about absence of relative stability of capitalist market had showed that "character and nature of the crisis into which the world capitalist market plunged at the end of the Second World War is different in essence from all its previous crises. Prior to the Second World War, in all of its crises at different periods, the world capitalist market enjoyed a relative stability. But the nature of the present crisis is such that this relative stability of the past exists no longer. The crisis has now turned into a daily, an hourly affair." (SW

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# Halo of economic might of US completely shattered

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Vol. III p. 209) To stave off the acute market crisis, it began to create some artificial stimulation in the market as a means of survival through increased militarization and widespread speculation. But there was no respite from the crisis as it was endemic of the capitalist system based on discrimination, deprivation and exploitation of man by man. The bourgeoisie is trying to somehow stave off a crisis only to tumble into another bigger crisis. For example, in order to contain inflation, the Indian bourgeois government is trying to absorb liquidity (quantum of money in circulation) by encouraging savings through increase of interest rate. But, with the crash in the stock market and scrambling for withdrawal of holdings in securities, the government is forced to pump in money into the system. Likewise, with more foreign investment mainly in dollars in Indian bourses through FIIs, India's foreign exchange reserve went up to make rupee stronger particularly with reference to dollar. But a stronger rupee made Indian exports losing out in competition. Now, with huge flight of foreign exchange because of rapid redemption of holdings by FIIs, rupee has again become not only weak but unprecedentedly weaker. This is what Comrade Ghosh called hourly crisis of moribund decadent capitalism. No palliative, no quackery can save it from this grip of insoluble crisis.

## People bear the brunt

Needless to say that the burden of the crisis is being squarely passed on to the toiling people by the ruling bourgeoisie and its servitors. Take the instant case. What halted the 'dream run of the leveraged economy' or 'the boom propelled by speculation'? The answer is one and only one—inability of the borrowing individuals to repay loan. As per report, it started with the default by the industrial workers of industrial towns like Detroit, Boston and others in US. With rampant job loss and falling wage, there was sharp fall in the purchasing power of the US working people including middle income groups. Hence, they turned defaulters and with purchasing power plummeting further in keeping with the basic law of capitalist economy, the lending entities found the number of potential buyer of houses, both fresh

as well as the confiscated ones, reduced to nil. But the whole structure is such that those running the institutions that collapse because of bankruptcy typically walk away from the debris of the crisis not only without paying any price but after substantially enriching themselves. Consider, for instance, when Lehman Brothers which, as we will see later, went on a completely unsustainable borrowing and lending spree, buying assets with as little of its own money as possible and without due diligence or prudent concern, was on the brink of liquidation, its owners just threw up their hands, declared that their organization was up for sale and looked up to the government for injecting tens of billions of dollars from public exchequer to salvage the situation. Thus while the handful of monopolists, market manipulators and speculators have rigged the system enough to ensure that they are protected from the adverse fallout, it is the common people who are the worst victims of the crisis. Under the pretext of being entangled in the crisis, most of the organizations are going for massive retrenchment. 26,000 employees of Lehman Brothers are slated to lose their jobs. According to International Labour Organization, with the crisis hitting hardest such sectors as construction, automotive, tourism, finance, services and real estate, world unemployment could increase by an estimated 20 million. Many organizations have already announced substantial wage cut for their employees. The number of working poor living on less than a dollar a day, it is envisaged, could rise by some 40 million – and those at 2 dollars a day by more than 100 million. This is going to wreak havoc in the life of the toiling millions not only in US but in all the imperialist-capitalist countries. Already in US, considered to be one among the highest consumer spending countries in the world, spectre of marked fall in living standards is looming large. It is revealed from a report published in 'The New York Times' that plagued by massive job loss, salary slash, rising prices, foreclosure of home loans and reduced availability of credit because of the banks shrinking in fear of default, the common US citizens are feeling less surefooted. Spending on non-essential goods, going to restaurants, buying a new sofa, for example,

seem less necessary to many; and they are postponing the buying of a new auto for another six months or even a year. Housewives are drastically pruning their family budget. As a result, traffic is fast disappearing in suburban malls and city boutiques. Leading US psychologists are saying that 80% of the US citizens from 14 to 90 years of age are suffering from severe depression and mental stress in face of the anxiety and uncertainty centering on their depleting income and economic destitution. Most affected are the women who worry most about running the kitchen and family. If this is the situation in US, one could guess what the condition in less affluent countries is. Indian companies have already started massive cut in jobs. Much trumpeted Indian Information Technology industry heavily reliant on outsourced jobs from US and Europe is apprehending a major slash in orders from abroad and hence being on the brink of disaster. A fall of living standard is haunting common people of all imperialist-capitalist countries since with world capitalist economy now being more inter-connected through the precepts of globalization and a wind of liberalization and market-economy sweeping across with overdose of speculation, manipulation and free movement of finance capital across the borders, none can remain insulated from it.

## Capitalism is not the last word

Unable to find any explanation, many of the bourgeois economists have been indirectly confessing that the fruits of 'growth' have been cornered by a few rich and did not reach the common masses. The fact they are so keen to suppress is that in the name of liberalization, financial and banking sector reforms, abolition of all hitherto existing regulatory norms and so forth, what US imperialism and other imperialist-capitalist powers including India espoused for was nothing but a blueprint of this speculation-based credit-driven 'bubble' economy which was only to beget growth of the few rich at the expense of the escalating wretchedness and penury of the toiling millions. This 'exclusive' growth of the rich and affluent is not powered by any tangible economic activity based on increase in material production both in industrial as well as agricultural

sectors but fuelled by a kind of gambling and lending spree typical of crisis-stricken decadent capitalism trying to prolong its moribund existence. So long capitalism exists, crisis will not be mitigated but aggravated assuming yet more acute character.

As we have shown above, the crisis is not of any economy but of capitalist economy where motive of production is to earn maximum profit for the handful of capitalist owners. On the contrary, socialist economy where the aim was maximum satisfaction of the constantly rising material and cultural requirements of the whole of the society was not infected by any such crisis. Socialist Soviet Union needed no stock exchange, no credit economy or speculation to keep its pace of progress uninterrupted and sequestered from the global hiccups of capitalist economy. A concrete example of that relevant in this context is the Great Depression that plagued capitalist economy from 1929 to 1933. It differed from all analogous crises, among other things, in that it was the longest and most protracted crisis. Under its impact, all front ranking imperialist-capitalist countries faced severe economic downturn. One after another factory was being closed down. Production came to a grinding halt. Unemployment soared to a dizzy height. But, the socialist economy of nascent Soviet Union was unscathed. Continuously, new industries were being set up there. Agriculture was being modernized. People's income was rising but prices were coming down. In his report to the seventeenth congress of Bolshevik Party, Stalin drew attention to the fact that "While industry in the principal capitalist countries declined from year to year, compared with 1929, and began to recover somewhat only in 1933 — although still far from reaching the level of 1929 — industry in the U.S.S.R. grew from year to year, experiencing an uninterrupted rise. While industry in the principal capitalist countries at the end of 1933 shows on the average a reduction of 25 per cent and more in volume of output compared with 1929, industrial output in the U.S.S.R. has more than doubled during this period, i.e., it has increased more than 100 per cent.... the U.S.S.R. has increased its

*Contd. on page 8*

## United mass movement based on correct ideology - the only remedy

*Contd. from page 4*

striking electoral alliance with even a force like the AGP. They supported the AGP government in the past and participated in it by having ministers in the AGP-led government. United leftist movement in Assam has been harmed by such role of theirs. In this situation, our party is proceeding ahead on its own with firm conviction in the struggle to free the people of Assam from the influence of the destructive politics of the rabid chauvinist and communal forces.

It is also to be noted with deep concern that exploiting the resultant grievances in their mind, various fundamentalist forces, in their narrow political interest, are raising the slogan of uniting the people of the minority community on a communal line. Our party has been consistently impressing upon them that notwithstanding the fact that they are under severe attack, they must realize that communalism can never be the antidote to communalism; only democratic movement based upon democratic values can act as the most powerful deterrent to communalism. If a movement is developed on the basis of counter-communalism in response to the attacks on the minority community, that would only help to strengthen the hands of the rabid communal forces,

providing them with the opportunity to draw towards them even those whom they have not yet been able to mislead. The fundamentalist forces have been trying for long to rally the people of the minority community on the basis of counter-communalism, but no redress can be expected through this on any issue related to the security, citizenship right, livelihood and living condition of the minority people. Instead, the attacks on them are bound to be further intensified. The recent happenings in Udalguri and Darrang districts testify to this. So, the minority people should not become victims to counter-communalism but should come forward to build up powerful resistance movement against the communal forces, being guided by secular democratic sense of values and on the basis of the concept of unity of all exploited people. It is only through this that the masses can be freed from the influence of these evil forces and such evil forces buried for ever. In this hour of extreme distress, agony and desperation of the minority people we are also impressing upon them that because of the betrayal of the pseudo Marxists going by the name CPI, CPI(M) etc. who in no way came in conflict with the arch chauvinist and communal forces, real Marxist movement, communist movement, for that matter real leftist

movement could not make much head way in the state and that simply provided a fertile ground for the spread of nefarious activities of these semi fascists. But nonetheless, in their search for a long-term solution they must not for a single moment forget the imperative necessity of cultivation of real leftist thoughts stemming from Marxism – Leninism, the urgent task of theirs to join and strengthen this real leftist movement in the state.

Under the circumstances, our party has called upon all right-thinking people of the state to take initiative in restoring the environment of peace and amity through isolating all these evil forces, always keeping an alert eye on the strife-torn, dangerous situation that has been created as a result of pursuing the course of motivatedly turning the Indian nationals of the minority community

into “foreigners” in total disregard of the correct procedure and process to ensure justice.

Being deeply concerned about the prevailing climate of extreme divisiveness bordering on division of the population of the state into two warring camps in which development of united democratic movement centering round burning problems of their life has become almost impossible, to being about a radical change in the situation we have also emphasized addressing the right thinking people of Assam on the urgent necessity of cultivation and dissemination of real leftist, Marxist-Leninist ideology and the urgent necessity of development of democratic mass movements on its basis. With this outlook, our party is engaged in developing an ideological struggle against the rabid chauvinist and communal forces by uniting the people of all sections in Assam. It is only in this way that it would be possible to build up a mighty mass movement for putting an end to the present poisonous politics.

## SUCI demands immediate reduction in fuel prices in proportion with decline in international oil tariff

Comrade Nihar Mukherjee, General Secretary, SUCI, in a statement issued on 26 October 2008, expressed deep resentment over persistent refusal of Government of India to bring down the retail prices of petrol, diesel, LPG and other petroleum products in proportion with the decline in the international oil tariff. While this highly unjust attitude of the Government is severely aggravating the plight of the common people already hit hard by the soaring prices of all essential commodities, it also at the same time is revealing the exploitative character of the Indian bourgeois state and its Government which instead of showing any concern about the untold suffering of the exploited millions is nakedly engaged in escalating ruthless exploitation of the common people, said Comrade Mukherjee. Demanding immediate reduction in the prices of petrol, diesel, LPG and other petroleum products, Comrade Nihar Mukherjee called upon the people of country to observe ‘All India Protest Day’ on Monday, the 27th October 2008 to press upon the Government to concede to this just demand forthwith.

### Make SUCI candidates victorious in Delhi and Madhya Pradesh Assembly polls to reverberate voice of people’s movement inside the legislature

Constituency	Candidate
Karabal Nagar	<u>DELHI</u> Comrade Harish Tyagi
Guna Sagar Govindpura, Bhopal	<u>MADHYA PRADESH</u> Comrade Pradeep R.B. Comrade Ramavtaar Sharma Comrade K P Dwivedi

## End of crisis inseparably linked with overthrow of capitalism

*Contd. from page 7*

industrial output during this period by more than 290 per cent over the pre-war level.” (SW Vol. 13, p. 696-97) Such was the supremacy of socialist economy which the renegades within communist movement with the help of the imperialists-capitalists brought down through counter-revolution. The all-embracing deterioration and degeneration noticed in every sphere of life in the erstwhile socialist countries today bear eloquent testimony of the sharp distinction between the two systems. Since the brunt of this insoluble crisis of

capitalism is borne by the toiling people, it is incumbent on them to learn from history, accelerate the process of overthrowing capitalism and end all exploitation of man by man through establishment of scientific socialism. Rightly observed Marx and Engels in Communist Manifesto that “the bourgeoisie is unfit any longer to be the ruling class in society, and to impose its conditions of existence upon society as an overriding law. ...Society can no longer live under this bourgeoisie, in other words, its existence is no longer compatible with society.”

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