

# The revolutionary implications of the decline of American capitalism

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*The WSWS had published two documents adopted by the Congress: "The Socialist Equality Party Statement of Principles" and the "Historical and International Foundations of the Socialist Equality Party."*

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This congress represents an historic advance for the world Trotskyist movement. It expresses at the most fundamental level the development of the political consciousness of the working class itself. The Socialist Equality Party is being founded on the firmest and most principled theoretical and political foundations. The documents adopted by the congress—"The Historical and International Foundations of the Socialist Equality Party" and the SEP "Statement of Principles," establish the continuity of the SEP and the International Committee of the Fourth International with the entire historical struggle for Marxism. These statements sum up all of the basic political and theoretical lessons extracted from the strategic experiences of the international working class and the socialist movement over more than a century.

Such a milestone in the development of the revolutionary socialist movement must have deep objective roots in the crisis of American and world capitalism.

We are, in fact, holding this congress in the midst of a major turning point in world history. The collapse of the US housing and credit bubble has rapidly developed into what is widely acknowledged to be the greatest financial crisis since the Great Depression. Governments, central banks and economists can only guess how cataclysmic the consequences of the US financial meltdown will be. But they are forced to recognize that, in the best-case scenario, the world is in for a protracted period of economic stagnation and financial volatility. Whatever the short-term outcome—which must include as a real possibility a financial panic that plunges the world into a new Depression—the current crisis has dealt a massive blow to the credibility of American capitalism, both internationally and, above all, within the United States itself.

The events of the past year have revealed in the starkest manner the vast decline of the United States. Suddenly, before the eyes of the world, the outcome of a decades-long process of internal decay has broken through the surface and revealed a level of financial parasitism and criminality with no historical precedent. Such events deeply penetrate the consciousness of the masses and inevitably lead to profound changes in their political orientation. The rapidity and violence of such changes must have a proportional relationship to the scale of the myths that are being shattered and the scope of old illusions. As the ruling class that most persistently preached the gospel of free markets, private enterprise and individual self-reliance scrambles to bail out Wall Street giants to the tune of trillions of dollars—while millions lose their homes and poverty, unemployment, ill health and illiteracy increase—it becomes impossible to

conceal the class divisions that dominate American society.

The ruling class and its ossified two-party system lack any perspective for addressing these problems in a rational and progressive way. Their central concern remains the ever-greater enrichment of a wealthy elite. Elections have been reduced to ritualized and demagogic contests between two right-wing parties of big business, in which the masses of people are effectively disenfranchised. The ruling class *does* have a response to the crisis of American capitalism: an unending series of wars of conquest and plunder. In the name of a fiction—the "war on terror"—the US ruling class is intent on escalating its mad drive to subjugate the peoples and resources of the world, while it browbeats the American people into submission through a combination of fear-mongering and repression. One measure of the decline of the United States is this: Seventy-five years ago in the midst of the Great Depression, when American capitalism still retained the resources to implement a program of social reform, Franklin D. Roosevelt declared that there was "nothing to fear but fear itself." Today, the mantra of the ruling class is "there is nothing but fear."

The decline of the United States is the most concentrated expression of the crisis of world capitalism. The colossal industrial might and financial resources of American capitalism enabled it to resurrect world capitalism after World War II, based on the political betrayals of the international working class carried out by the Stalinist bureaucracy. The post-war system of international relations and the economic expansion which it fostered were organized by the American bourgeoisie to prevent a relapse into the conditions of disequilibrium, depression, war and revolution that had prevailed since 1914, and create a framework favorable to the expansion of American capitalism. The United States was the major factor for capitalist stability internationally. The loss by the US of its industrial supremacy and financial solvency has made it impossible for it to play such a role. On the contrary, American capitalism has become the greatest factor in the destabilization of world capitalism.

The outbreak of war between Georgia and Russia, which carries the most ominous implications of a far wider conflagration, is but the latest example of the consequences of American imperialism's efforts to resolve its crisis by employing the most reckless and belligerent methods in pursuit of a hegemonic foreign policy.

The particular form taken by the decay of American capitalism is of immense significance. The proliferation of ever more exotic and opaque financial instruments—CDOs, SIVs, credit default swaps—

whose underlying value is unknown even to the buyers and sellers of such assets bespeaks an economic process in which wealth accumulation has become almost entirely detached from the production of real value. This is the essence of financial parasitism, which Lenin in 1916 defined as an essential trait of moribund capitalism. The gigantic scale of the parasitism of the American bourgeoisie is exponentially greater than anything that existed in Lenin's day.

The growth of financial speculation has proceeded hand in hand with, and as a necessary counterpart to, the dismantling of large sections of

American industry and the outsourcing of manufacturing to cheap-labor regions around the world. This decay in the productive base of American society is the sharpest expression of the decline of the United States.

Of course, the American capitalist class was never free of financial parasitism. But the rise of American capitalism and its emergence as an imperialist power at the turn of the last century were rooted in the immense power and productivity of its industry. The impetus behind the rise of US imperialism was the enormous growth of the productive forces that followed the Civil War. This represented a capitalist expansion on a scale not seen before. New industrial processes (standardized parts, assembly line production) and new forms of industrial management were developed, and new financial structures were put in place. The fortunes of the Sixty Families that came to embody the royalty of American capitalism were for the most part bound up with the development of empires in manufacturing and other productive spheres: Carnegie in Steel, Rockefeller in oil, Ford in automobiles.

The epicenter of the economic crisis that produced the world Depression of the 1930s was the decline of European capitalism. Europe never really recovered from World War I. As a result, the US lacked sufficient markets for its surplus goods and surplus capital. The crisis in the US was overcome only by the immense stimulus provided by war production for World War II. In the war, the US demonstrated the superiority of its advanced production methods, far outstripping the capacity of Germany and Japan to turn out planes, ships, tanks and bullets and feed and equip their soldiers. At the end of the war, the supreme power of American capitalism was rooted in its industrial might, more than its military supremacy.

To give some indication of the preponderance of American industry in the decade following the war: four out of every five cars sold throughout the world were produced in the US; America, which had 6 percent of the world's population, produced and consumed one-half of the world's goods. America's gross domestic product rose from \$100 billion in 1940 to \$300 billion in 1950 and \$500 billion in 1960.

What was the process that transformed the United States from the industrial hegemon of the post-war boom period to the massively leveraged, industrially anemic center of global financial parasitism of today? Fundamentally, American imperialism foundered on the contradiction between world economy and the nation-state framework within which capitalist economies must develop. In the end, no single capitalist state, even one as rich as the United States, could resolve the problems of global capitalism.

The post-war economic order established by the United States contained a fatal contradiction from its inception. It represented an attempt to overcome the general historical decline of the world capitalist system on the basis of the strength and dominance of the most powerful capitalist nation. But the very success of the post-war reconstruction of Europe and Japan, upon which American capitalism depended to provide markets for its exports, investment outlets for its capital and sources of raw material and labor power for its industry, inevitably entailed a diminution of the vast preponderance of American capitalism over its rivals upon which the post-war order was based. The recovery and expansion of European (especially German) and Japanese industry was, by the late 1950s, beginning to undermine the previously unchallenged supremacy of American industry and the US economy as a whole.

This basic contradiction was likewise the bane of the global monetary system established at the end of the war. Under the Bretton Woods system, the US dollar was simultaneously to serve as the international reserve and trading currency and the currency of a single nation state. This contradiction ultimately led to the collapse of the Bretton Woods system in 1971.

The post-war boom rested, in the final analysis, on the increased rate of profit resulting from the use of American production methods. By the end

of the 1960s, however, profit rates started to fall. This was to lead to a major global recession in 1974-75--the deepest to that point since the 1930s.

Beset by growing competition from its imperialist rivals, increasing pressure on the profitability of its manufacturing base and a looming dollar crisis, the American bourgeoisie was hampered in its response by the continued militancy of the American working class. Despite the reactionary politics of the trade union bureaucracy, US workers bitterly resisted all attempts to drive down their wages and working conditions. Their power and strength of resistance were bound up with the strength and power of American industry itself.

The mounting economic stresses and imbalances within American and world capitalism imparted to social relations in the United States an increasingly tense and explosive character. The 1960s was a period of continual social and political crisis, signaled by the assassination of Kennedy in 1963.

The late 1960s and early 1970s saw protracted and bitter strikes in virtually every economic sector, including auto, steel, electronics, longshore and postal. Entire new sections of the working class, including the most oppressed and impoverished layers, entered into struggle in the form of the civil rights movement that had emerged powerfully in the 1950s. Widespread poverty and pervasive police repression, especially against minority workers, led in the second half of the decade to violent social eruptions in dozens of American cities. The Vietnam War provoked growing opposition within the working class and radicalized an entire generation of student youth, who increasingly turned against American imperialism and its two-party system and looked toward alternatives of a revolutionary character.

The social and political tensions found bloody and spectacular expression in the assassinations of Malcolm X, Martin Luther King, Jr. and Robert Kennedy. The Watergate scandal exposed the growing crisis of American democracy and the turn by sections of the ruling class toward authoritarian forms of rule. Nixon's resignation in 1974 reflected the continuing social and political turmoil.

The 1970s was the period when Keynesian deficit spending policies broke down in the face of "stagflation." It was also the decade that saw a sharp growth of European and Japanese imports of industrial goods into the US and a rapid deterioration in the share controlled by American companies of both the global and US markets in autos, steel, electronics and other sectors. The US share of auto production fell from 65 percent in 1965 to 20 percent by 1980. The United States produced 39.3 percent of the world's steel in 1955. By 1975 that percentage had fallen to 16.4 percent. In 1984 it was just 8.4 percent.

The 1979 appointment of Wall Street banker Paul Volcker as chairman of the Federal Reserve Board by Democrat Jimmy Carter was a major turning point. It signaled a decision by the American bourgeoisie to defend its wealth and its international position by launching an offensive against the American working class. It marked the definitive end of the policies of relative class compromise and social reform that had been initiated under the New Deal. The central aim was to roll back the economic and social gains that had been achieved by the working class over the previous 40 years. This was to be achieved by shutting down major sections of US industry that could no longer provide a sufficiently high rate of profit and using mass unemployment as a weapon to attack the unions and break the militant resistance of the working class. The "Volcker shock," involving the raising of interest rates to more than 20 percent, was used to precipitate the deepest recession and highest jobless rates since the 1930s.

What *BusinessWeek* at the time dubbed the "deindustrialization of America" marked a decisive shift of American capital from productive forms of investment to purely speculative forms of wealth accumulation. It is highly noteworthy that the previous bourgeois offensive against the

American working class that began after World War I and lasted into the first years of the Depression coincided with a continued expansion of US industry. That was during the rising arc of American capitalism. The new offensive took place within the context of an accelerating decline, and in the critical respect of America's industrial base took the opposite form.

The Reagan administration intensified both the assault on the working class and the turn to financial speculation. Reagan's firing of 13,000 PATCO air traffic controllers in August of 1981 was the signal for a wave of corporate union-busting and wage-cutting in every sector of the economy. This was accompanied by sweeping cuts in social spending and the gutting of legal restraints on corporate profit-making, including the weakening or lifting of banking regulations.

The decade of the 1980s saw the elimination of 10 million jobs, on the one side, and an explosion of new forms of financial speculation on the other. There was a marked increase in leveraged corporate buyouts. The phenomenon of junk bonds emerged, along with the beginnings of securitization, in which various forms of debt, including mortgage debt, were packaged as bonds and sold to banks, brokerage houses, pension funds, insurance companies and other big investors. The stock market assumed an ever more central role in determining the investment policies of corporations and banks, demanding immediate and high returns at the expense of research and development and long-term planning. The result was an ever-greater accumulation of paper values and debt, which provided the basis for the enrichment of the uppermost social layers at the expense of the vast majority of the population. To cite one statistic: In 1970, wages and salaries comprised 75.4 percent of national income. By 1986, that figure had fallen to 61 percent. The narrowing of economic disparities that had been under way for several decades was reversed.

All of this was given legitimacy by the media and academia, which hailed the emergence of the "post-industrial society" and the "Reagan Revolution." In reality, the 1980s saw a catastrophic decay in the foundations of American capitalism. Between 1981 and 1986, the US share of world exports slumped from over 20 percent to 13.8 percent. Between 1973 and 1983, US steel production fell 44 percent. The national debt more than doubled under the Reagan administration.

In October of 1987 Wall Street suffered its greatest ever single-day crash in percentage terms, as equities lost 23 percent of their value. The decade ended with the savings and loans collapse, in which more than 1,000 institutions failed and the government organized a bailout costing \$160 billion. The sharp decline in the global position of American capitalism was summed up in the transformation of the US in the 1980s from a creditor nation, a status it had maintained since the end of World War I, to a net debtor.

The so-called financialization of American capitalism continued and accelerated in the Clinton and George W. Bush years. Amidst waves of corporate downsizing, financial speculation played an ever-greater role in economic life and assumed new and more parasitic forms. One speculative bubble succeeded another: the East Asian collapse was followed by the rise and fall of the dot.com bubble, and was quickly replaced by the subprime mortgage bubble. Securitization of debt became the new model of American banking, based on the conception that high-risk and high-yield investments, sustained by an exponential growth of debt, could continue to expand without limit, since the banks could offload much of the debt to other investors around the world.

The indices of the growth of financial speculation in the US economy are staggering: In 1982, the profits of US financial companies accounted for 5 percent of total after-tax corporate profits. In 2007, they made up 41 percent of corporate profits. Between 1983 and 2007, the share of the financial sector's profits in US gross domestic product rose six-fold. The United States, by far the world's largest debtor nation, with a current account deficit of nearly \$800 billion, is today sustained by the importation of \$1 trillion in foreign capital every year, or over \$4 billion

every working day.

There is an organic connection between the colossal growth of economic parasitism and the ever more brazen concentration of wealth at the pinnacle of society. CEO compensation exploded in an environment of uncontrolled speculation and political reaction. An ever-greater share of the social wealth was funneled from the working class to the financial elite. The collapse of the unions deprived the working class of any organized means of resisting the plundering of the national wealth.

### **The social physiognomy of the new financial aristocracy**

The process outlined here has produced vast changes in the social structure of the United States. The middle classes, which traditionally serve as a buffer between the two main classes, have been decimated, with the vast majority of proprietors, professional employees and small farmers driven into the ranks of the working class. The ruling class has itself undergone a vast change in its social physiognomy. The growth of parasitism has raised up a new financial aristocracy, whose lifestyle and social outlook are conditioned by the forms of wealth accumulation through which they have amassed their immense fortunes. It is impossible to understand the predatory and backward political and cultural environment that has prevailed for so many decades without considering the changes within the ruling class itself.

It is hardly necessary to stress here that the captains of industry associated with America's rise as an economic giant were no paragons of intellect and culture. However, their fortunes were bound up with the development of industrial empires that embodied a real development of the productive forces. To a large extent, the riches of the wealthiest and most politically influential figures in the ruling elite today are bound up with the decay of the productive base of the United States. The hedge fund billionaires and banking moguls of today amassed in the space of a few years the type of personal fortunes that the Fords, Carnegies, Duponts and Rockefellers took decades to accumulate. They dispose of levels of wealth in their everyday lives that would have been inconceivable a few decades ago. And the manner in which the new financial aristocracy makes its money, apart from the vast sums involved, necessarily imparts to its social being a pervasive element of criminality.

Hedge fund president John Paulson took in \$3.7 billion in 2007 (by betting on a collapse of the subprime mortgage market) and the top 50 hedge fund managers netted a combined sum of \$29 billion. The latter sum is about the same as the annual GDP of Kenya, a country of 32.5 million people, and a billion dollars less than the GDP of Sri Lanka, the home of 20 million people. If one takes Paulson's income for 2007 and divides it by 365, one arrives at a daily intake of \$10,137,000. This breaks down to \$422,374 an hour, \$7,040 a minute, and \$117 per second. If one were to assume that Paulson worked a 40-hour week, 52-week schedule, his hourly "wage" would be 24,136 times that of the average worker in the US.

Is it any wonder that, in terms of its prevailing social principles, the US has become the most backward and irrational of all major capitalist countries? The malignant state of social relations is expressed in the soaring prison population in the US, whose 2.2 million inmates by far outnumber those of any other country. More than 1 in 100 American adults were incarcerated at the start of 2008. Another indicator of social decay is the fact that more than 40 percent of high school students in America's 50 largest cities fail to graduate. The United States today ranks 42<sup>nd</sup> in life expectancy, behind Singapore, Costa Rica and South Korea.

In the figure of George W. Bush, the semi-literate scion of a wealthy and politically well-connected family, one sees the political personification of the criminality that has come to characterize so much of the corporate-financial elite. But it is impossible to find figures of much greater intellectual or moral stature in any section of the American political establishment.

The change in the social physiognomy of the American ruling class has

played a considerable role in shaping US foreign policy. As we have been noting since the 1980s, the ever more frequent and violent use of military means is a response to the declining economic position of the United States. This tendency became more pronounced and open following the collapse of the Stalinist regimes in Eastern Europe and the former Soviet Union.

As Trotsky anticipated with immense prescience 80 years ago, the crisis of American capitalism would by no means signify a diminution of its violent tendencies, but rather the opposite. In his 1928 critique of the draft program of the Comintern, Trotsky wrote: "The general line of American policy, particularly in time of its own economic difficulties and crisis, will engender the deepest convulsions in Europe as well as over the entire world."

Militarism is also a response to the growth of internal social tensions. Under conditions of a vast increase in social inequality, the ruling class utilizes war as a means of deflecting domestic discontent outward while intimidating and repressing internal opposition.

The internal rot of the ruling class and the rise to its summit of the most predatory and criminal elements has affected foreign policy decisions and the methods employed to carry them out. The recklessness, shortsightedness, ignorance and, one might add, incompetence exhibited by the American bourgeoisie in the management of its economic affairs has found a reflection in its foreign policy. The following is a list of direct US military interventions (invasions, air strikes, occupations, etc.) over the past quarter century: Lebanon (1983), Grenada (1983), Libya (1986), Panama (1989), Iraq (1991, followed by twelve years of continuous air strikes), Somalia (1991-93), Haiti (1994), Afghanistan (1998), Sudan (1998), Serbia (1999), Afghanistan (2001 to the present), Iraq (2003 to the present), Haiti (2004), Somalia (2006), Pakistan (ongoing). In addition there have been dozens of US proxy wars and covert actions, including in Afghanistan, Nicaragua, El Salvador, Honduras, Guatemala, Cambodia, Mozambique, Angola and the former Yugoslavia. As in the domestic sphere, the American ruling elite has conducted itself on the world arena with increasing brutality and lawlessness.

#### **Decay and collapse of the American labor movement**

The degeneration of the American labor movement has proceeded in parallel with the decline of American capitalism. This is no accident. In no other country has the labor bureaucracy so directly and completely tied the fortunes of the organizations of the working class to the strategic and economic successes of the ruling class. If one were to compare the downward trajectory of union membership and strike activity with the decline of American industry, one would find a striking correspondence. It is as if history had conducted a vast-and, for the working class, tragic-experiment in the viability of labor organizations based on the defense of capitalist property and nationalism. The historical verdict is contained in the decline of union membership as a percentage of the private sector workforce to single digits, below the levels attained nearly a century ago by the old craft-dominated American Federation of Labor, and the devastating fall in the living standards and social position of the working class.

The mass industrial unions that arose from the upsurge of the working class during the Great Depression against social misery and industrial despotism embodied a huge contradiction-between the militancy and solidarity of the powerful American working class and the conservatism and servility of the leadership, which subordinated the new organizations to the Democratic Party and the capitalist state. Less than two years after the Flint sit-down strike, Trotsky warned of the inevitable degeneration of the CIO on the basis of the bureaucracy's political perspective. In *The Transitional Program*, he wrote: "The unprecedented wave of sit-down strikes and the amazingly rapid growth of industrial unionism in the United States (the CIO) is the most indisputable expression of the instinctive striving of the American workers to raise themselves to the

level of the tasks posed on them by history. But here, too, the leading political organizations, including the newly created CIO, do everything possible to keep in check and paralyze the revolutionary pressure of the masses."

Trotsky urged the Socialist Workers Party to raise the demand for the CIO to break with Roosevelt and establish a labor party based on a socialist program as a means of mobilizing the workers against the reactionary leadership and placing the Trotskyist movement in the forefront of the fight for the political independence of the working class.

The CIO leadership, abetted by the Stalinists, blocked the emergence of an independent political movement of the working class. As a result, the CIO foundered after the initial successes in auto and some other sections of industry. It consolidated its position only in the run-up to and during World War II, when it obtained the support of the Roosevelt administration in return for its services in imposing labor discipline and suppressing strikes, in the name of the war effort. On this corporatist foundation, CIO membership rose dramatically in the course of the war, as did the treasuries of the CIO and its affiliated unions. According to the Bureau of Labor Statistics, the percentage of wage and salary workers with union membership reached its all-time high, 36 percent, in 1945.

After the war, the CIO dropped any demands for a fundamental reform of American capitalism or for industrial democracy. Together with the AFL, it aligned itself with American imperialism's expansionist strivings and enlisted in the Cold War anticommunist crusade against the Soviet Union. The union bureaucracies carried out a ruthless purge of socialist and left-wing forces, who had played leading roles in the mass struggles that established the CIO. The anticommunist witch-hunt established the basic physiognomy of the labor bureaucracy and laid the foundations for the decay and eventual collapse of the labor movement.

The merger of the AFL and CIO in 1955 signified the end of any association of the American labor movement with a perspective for significant social change. The fact that the largest union in the United States, the Teamsters, was controlled by the Mafia was but the most repulsive expression of the pro-capitalist orientation of the American unions as a whole.

Backwardness, ignorance, corruption and outright gangsterism were and remain the defining traits of the union bureaucracy. Its relationship to the working class was expressed most nakedly in the AFL-CIO's collaboration with the Central Intelligence Agency in such international CIA labor fronts as the American Institute for Free Labor Development, wherein AFL-CIO operatives engaged in counterrevolutionary violence against left-wing unions and political organizations around the world. In its service to American imperialism, the AFL-CIO allied itself with military dictatorships, death squads and fascist organizations in Latin America, Asia, the Middle East and Africa. The ex-Stalinist Jay Lovestone became the chief strategist of the AFL-CIO's counterrevolutionary activities abroad, succeeded by Irving Brown. The results within the US of the AFL-CIO's counterrevolutionary perspective and integration into the American security state apparatus are reflected in graphs of union membership, which show a steady erosion beginning in 1955 and rapidly accelerating after the late 1970s.

The sharp decline of American industry beginning in the 1970s and the rise of transnational corporations and globalized production undermined the ability of the unions to defend, even in a limited way, the interests of their members. It is doubtful that Reagan would have undertaken his vendetta against the PATCO air traffic controllers without prior assurances from the AFL-CIO that the labor federation would offer no serious resistance. The AFL-CIO's acceptance of the destruction of a member union was critical to the success of the union-busting operation. In all of the scores of pitched labor battles of the 1980s against union-busting and wage-cutting, the workers had to fight not only the employers and the state, but also the treachery of their own union leaders. The AFL-

CIO systematically isolated their struggles and ensured their defeat.

The full implications of the reactionary and backward politics of the AFL-CIO were revealed by the fact that the unions left the working class completely unprepared for the turn by the ruling class to class-war policies. On the part of the labor bureaucracy, the shift from negotiating wage increases and other improvements to supporting wage cuts, plant closures and the destruction of previous economic gains involved no serious internal struggle or even hesitation. It was the logical outcome, under conditions of the breakup of the post-war boom and deterioration of the global position of American capitalism, of its pro-capitalist and nationalist politics.

Today, the corporatist and anti-democratic character of the unions, and their transformation into instruments of a middle-class social layer that functions as an agency of the ruling elite and the state, is epitomized in the transformation of the United Auto Workers into a large business enterprise. In return for helping to cut the wages of UAW members in half, eliminate pension and health benefits, and wipe out tens of thousands of additional jobs, the UAW has been given control of a multibillion-dollar health insurance trust, which will be used to make the top union officials rich.

A common feature of all varieties of opportunist and revisionist politics is a fetishistic attitude toward the unions and promotion of their authority as the legitimate "mass organizations of the working class." This is an utterly false and politically reactionary position, which is, in reality, a defense of the trade union bureaucracy and a political service to the Democratic Party. The Socialist Equality Party tells the working class the truth about its old organizations. We refuse to boost the shattered credibility of the AFL-CIO or its counterpart in the "Change to Win" alliance. These organizations are instruments of a right-wing bureaucracy over which a shrinking rank and file is able to exercise no control. We encourage the workers to break with them and form genuinely democratic and militant organizations of struggle, such as factory and workplace committees. Above all, we explain to the workers-including the vast majority who stand outside the unions-the need for a break with the Democratic Party and the two-party system and the building of a mass independent *political* movement fighting for the international unity of the working class and the socialist transformation of society.

#### **Obama and the degeneration of American liberalism**

The fundamental political role of the trade union bureaucracy has been to subordinate the working class to the liberal sections of the American bourgeoisie, via the Democratic Party. The Obama campaign is the logical outcome of historical, political and ideological processes bound up with the decay of American liberalism. Obama is the end result of the assiduous promotion of identity politics over a period of nearly four decades-precisely the period of the visible and rapid economic decline of the United States.

In the course of its protracted degeneration, American liberalism has increasingly sought to obscure the question of social class. After World War II, liberalism virtually dropped its Depression-era advocacy of structural reform of capitalism, along with its critique of monopoly, its denunciation of "economic royalists" and its advocacy of greater economic equality and some form of industrial democracy. Post-war liberalism placed its emphasis not on production and the producers of wealth, but rather on consumption and the consumer. The Democratic Party no longer styled itself as the party of the "working man," but rather as the party of the "middle class." The well-being of the middle class was to be ensured by providing an environment in which the corporate world could flourish and the market economy could provide full employment and rising living standards. The trade unions adopted this new liberal perspective and abandoned any struggle for serious economic reform.

This shift was part of a lurch to the right and open embrace of American imperialism that assumed the filthy and shameful form of Cold War

anticommunism. The rapidity and near-unanimity of the liberal intelligentsia's adoption of anticommunism is a phenomenon that bears careful consideration. Its material roots were bound up with the immense wealth and power of American capitalism-including its unprecedented capacity to buy off and corrupt.

But there were also ideological and political factors. As David North explained in his 1996 lecture "Socialism, Historical Truth and the Crisis of Political Thought in the United States," considerable sections of the American liberal intelligentsia were attracted to the Soviet Union in the stormy years of the Depression and the rise of fascism. With few exceptions, however, the liberal "friends of the USSR" accepted uncritically the claims of the Stalinist regime that it embodied the principles and traditions of Marxism and the October Revolution. The pragmatic and unprincipled attitude to questions of history and theory that was a hallmark of American liberal thought facilitated the adaptation of left-wing liberals and radicals to the totalitarian regime in Moscow.

The rabid anticommunism and anti-Sovietism that emerged in the second half of the 1940s was prefigured, in what might seem a contradictory way, by the general support given by US liberal organs to the show trials organized by Stalin between 1936 and 1938. With few honorable exceptions, most notably that of the philosopher and educator John Dewey, the liberal intelligentsia refused to support Trotsky's call for a counter-trial to expose Stalin's falsifications and exonerate Trotsky and the other Old Bolshevik victims of the frame-ups. When the world situation shifted dramatically after the war and US imperialism launched the Cold War, the same identification of Stalinism with Marxism and socialist revolution that had provided the ideological basis for the liberals' defense of Stalin's crimes served as the basis for their justification of the anticommunist witch-hunt. Among the political factors that contributed to the peculiar ferocity of American anticommunism, and the fact that it encountered so little organized resistance, was the degree to which the dishonesty and cynicism of the American Stalinists had succeeded in making them utterly loathsome to broad sections of the working class. Nevertheless, liberal anticommunism was a cynical and dishonest attack on Stalinism from the right. It marked the demise of American liberalism as a trend that could make any serious contribution to democratic social thought.

The Kennedy and Johnson administrations marked the denouement of American Cold War liberalism. The attempt of the Democratic Party to combine populist rhetoric and limited social reforms at home with counterrevolution abroad collapsed. The Vietnam War, which involved a level of savagery and violence without parallel since the heyday of the German Wehrmacht, exposed the counterrevolutionary essence of Cold War liberalism. It dealt a blow to the political credibility of the Democratic Party from which that party has never recovered.

The impact of the Vietnam War, the civil rights struggles, the urban riots and the strike wave fueled by worsening economic conditions undermined the New Deal coalition that had been formed under Roosevelt. The credibility of post-war American liberalism and the "middle class" consumer society it espoused had depended on a continuation of the economic expansion that followed the war and ever-rising prosperity. But by the late 1960s, the boom was beginning to unravel. Within a few years the Democratic Party was openly distancing itself from New Deal social reform policies.

As it moved away from even the attenuated social reform policies of the post-war period, the Democratic Party sought to refashion itself, beginning with the McGovern campaign of 1972. In what was presented as a far-reaching democratic reform, the party organization was decked out with layer upon layer of "participatory" structures, and racial and gender diversity increasingly became the watchword. The party incorporated into its very structure the principle of identity politics. "Affirmative action" and similar policies were employed to dispense

privileges to elite layers among various racial and ethnic constituencies and among women, while the living standards of the broad mass of working people, African-American and Latino as well as white, stagnated or declined.

The Democratic Party assumed the form of an inchoate alliance of competing interest groups, including the civil rights establishment and more privileged layers of blacks and other minorities, feminist organizations, gay rights groups, environmentalists, etc. The unions, which had played a central role in the old New Deal coalition, became one among many interest groups allied to the Democratic Party. The embrace of identity politics by the Democratic Party was part and parcel of its further movement to the right. The elevation of race and gender as the touchstones of "progressive" politics corresponded to the repudiation by American liberalism of any conception of democracy that included economic equality and a curtailment of the power of the corporate-financial elite.

The democratic and egalitarian impulses that had animated the movement of the African-American masses in the historic civil rights struggles of the 1950s and 1960s were undermined by the shift in political focus from the fight against segregation and poverty to a policy aimed at securing preferential treatment and privileges for a few.

These processes of a reactionary character underlie the campaign of Obama. Barack Obama, a man of boundless opportunism and a certain measure of political dexterity, learned in the course of his apprenticeship in the corrupt and ruthless ways of Chicago Democratic Party politics to play the angles of multiculturalism and utilize his multiracial parentage to his advantage. In his candidacy, the attempt to use identity politics to conceal the class nature of American society, confuse and divide the working class, and give American imperialism a more "democratic" visage finds its consummation.

Whatever the outcome of the election, the working class is already making important experiences with Obama. The breathtakingly rapid and brazen lurch to the right by Obama since he secured the nomination is dispelling illusions and providing a salutary lesson about the social interests served by the Democratic Party and identity politics. The emperor of hope has no clothes. He has nothing to offer the working class, except more war, poverty, fear and repression.

#### **A new era of mass working class struggles**

In founding the Socialist Equality Party of the United States, we anticipate a shift in the political orientation of the working class. On the basis of a historical and materialist analysis of the world political situation and its reflection in the United States, we confidently predict and prepare for a new period of class struggle on a mass scale.

The United States, for nearly a century the bastion of world capitalism, has entered into an unprecedented economic, social and political crisis. The living standards of the broad mass of working people are rapidly declining, the social infrastructure of the country is collapsing after decades of neglect, politics and cultural life are blighted by the backward and reactionary nostrums of a new financial aristocracy.

The United States has become the most unequal of all industrialized countries, and the democratic rights of the people are under relentless attack. All of the social indices—the growth of poverty, unemployment, physical and mental ill health, educational decline—reflect a society that is going backward.

There is no way out of the crisis of American society apart from a revolutionary movement of the only social force capable of resolving it in a progressive way—the American and international working class. All of the great progressive changes in American history were propelled by the movement of masses of working people, from the abolition of slavery in the Civil War, to the struggle against industrial despotism and social misery in the Depression, to the Civil Rights movement of the 1950s and 1960s.

Now, a crisis of the entire social order has emerged that presents the working class with great historic tasks. It must take the road of socialist revolution.

The objective prerequisites for social revolution are rapidly maturing. All of the objective conditions that previously militated against the emergence of socialist revolution in the United States—the vast economic reserves and industrial power of American capitalism, the relatively high living standards of broad sections of the working population, the image of the United States as a democratic society—have either dissipated or are rapidly eroding.

In no other country has the ruling class and all of its institutions conducted such a ferocious effort to block the development of the political consciousness of the working class. Through a combination of repression and incessant propaganda, socialism has been all but banned from the public arena. But the mythology of American democracy and its bywords—the "American dream," the "American standard of living"—are being exposed as lies by the reality of American society.

American capitalism cannot reverse its global decline by force of arms—although it can annihilate millions of people and drag mankind into a new military holocaust. The critical question is the development of a new revolutionary leadership of the working class which will arm the masses of workers with a fully worked out program and strategy to take political power into their own hands and begin the construction of a socialist society.

The old leaderships of the working class have long since demonstrated their bankruptcy and treachery. The AFL-CIO bureaucracy, that bastion of anticommunism and national chauvinism, which devoted itself for decades to the suppression of the militant resistance of the working class, has led its organizations to collapse.

The welter of middle-class protest groups and "left" organizations single-mindedly works to block the emergence of an independent political movement of the working class. They hover around the political corpse of American liberalism known as the Democratic Party, seeking at all costs to keep the working class trapped within its orbit.

Only the Socialist Equality Party, in political solidarity with the International Committee of the Fourth International, fights for the political independence and international unity of the working class. The central task posed by the crisis of American capitalism is the building of the SEP and the establishment of the political, theoretical and organizational foundations for its transformation into a mass revolutionary party of the American working class.



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