University of Manchester ISSE hear report on international economic crisis

Our correspondent
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Socialist Equality Party Central Committee member Chris Talbot addressed an International Students for Social Equality (ISSE) meeting at the University of Manchester on December 11 on the subject of the economic crisis that has hit the world capitalist system. An audience of students and lecturers listened to Talbot give an analysis of the situation from a Marxist standpoint and outline a socialist solution to the crisis.

Talbot showed how the growing recession had now begun to hit businesses, resulting in collapses of major companies, layoffs and job cuts. Shortly before the meeting it had been announced that the well-known high street store Woolworths would close. The administrators had finally given up the attempt to find a buyer for the company. Some 32,000 employees will lose their jobs in the company's retail and wholesale arms.

Talbot went on to examine the measures that the government and the Bank of England have taken to deal with the crisis.

"The Bank of England cut its interest rate to two percent, bringing the UK base rate to its lowest level since 1951. This historically low level reflects the scale of the crisis that has hit the British economy after decades of relying on the City of London as the centre of European finance.

"The pound is now 25 percent lower against the euro than it was last year and the lowest since the euro was established in 1999. For ordinary consumers it is trading after commission at parity. This is a phenomenal collapse on the world market."

"There is now talk of zero interest rates. This follows an unprecedented transfer of government cash to the banking system—£400 billion was made available in the last months, on top of the £133 billion pledged to Northern Rock, and Bradford and Bingley. This attempt to rescue the banks will have to be paid for by working people with huge cuts in public spending over future years," Talbot said.

The world economy has been driven by a huge mountain of debt that has been built up over a decade.

"If you add together consumer, corporate and public sector debt in Britain you get a figure of over £4 trillion," Talbot said. "This is over 300 percent of annual economic output. It is comparable to the ratio of debt to output in the US. The gross foreign liabilities of British banks have risen from £1.1 trillion in 1997 to £4.4 trillion today."

Talbot explained, "What has happened is that over the last 10 years working people have been forced to borrow to survive and attain anything like a reasonable standard of living. It is because real wages have declined in the US and gone up only very slightly, if at all, in the UK that the collapse has occurred over the last year. The source of all wealth or value, as Marxists insist, is to be found in the labour of working people. Despite the illusion of hedge fund managers, derivative traders, etc., that money produces more money—the source of profit is the surplus that is extracted from the labour of the working class. Ultimately, the exponential growth of debt and borrowing to make billions literally overnight has collapsed and the bubble has burst.

"We have entered a period characterized by the breakdown of capitalism," Talbot explained. In the first half of the 20th century, there was a breakdown of capitalism, two world wars, a slump and millions slaughtered. The Russian Revolution of 1917 was not extended into Europe and a bureaucracy came into power in the Kremlin. This bureaucracy did everything possible to betray future revolutions, including the murder of Marxists and oppositionists in the gulags of the 1930s and the assassination of Leon Trotsky in 1940.

"After World War II, revolutionary movements emerged in a number of countries and were suppressed by Stalinism and Social Democracy. In the West, welfare state measures, such as the National Health Service, were brought in to head off this revolutionary upsurge. The US ruling elite decided that the only way they could survive was to use their relative strength to reorganise the world economy. They implemented the Marshall Plan, which rebuilt Europe and the Bretton Woods institutions—the IMF and World Bank—with the world currencies pegged to the dollar.

"By the 1960s cracks had begun to appear in this post war

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order. Revolutionary upheavals swept the world again, especially in France in 1968. Again the vital question that Trotsky had raised—the crisis of working class leadership—came to the fore as these movements were betrayed.

"The long post-war boom of capitalism came to an end with the recession of 1974-75. This was followed by a period of stagflation—high inflation coupled with high levels of unemployment. The response of the ruling class was to mount huge attacks on workers as they did during the miners' strike here in 1984-85. At the same time, high interest rates squeezed living standards in the developed world and had the effect of plunging the less developed countries into debt from which they have never recovered.

"During that period a fundamental change took place in the way capitalism was run, as what came to be called the globalisation of production was developed. Based on computer technology the big corporations and banks shifted their operations to a global scale, internationalizing production. Governments assisted this process by removing the regulations that had previously kept economies largely on a national basis.

"But even so there was not really an upturn in the fortunes of world capitalism. The stock market crashed disastrously in 1987. It was only in the 1990s that a new upswing in world capitalism began. Crises continued—there was the Asian financial crisis of 1997-98, the dot.com bubble which burst in 2000-2001, and so on. But overall there was a new upswing."

Talbot explained that this revival of the global economy could only be understood in the context of the collapse of the USSR, followed by the Chinese opening up their economy and developing countries like India abandoning their nationally based economic policies.

"The Kremlin bureaucracy took the decision to end the USSR and in China the bureaucracy opened up their economy and created a vast pool of cheap labour. The chairman of the US Federal Reserve, Alan Greenspan, could then cut interest rates and allowed the huge expansion of cheap credit to take place. It was possible only because of the ending of nationalised property in the Soviet Union."

Talbot pointed out that Greenspan understood this and quoted the following passage from the former Fed chairman's memoirs:

"Soon well over a billion workers—many well educated, all low paid—began to gravitate to the world competitive marketplace from economies that had been almost wholly or in part centrally planned and insulated from global competition.… This movement of workers into the marketplace reduced world wages, inflation, inflation expectations, and interest rates, and accordingly, significantly contributed to rising world economic growth" (Alan Greenspan, *The Age of Turbulence*, Allen Lane, 2007, p. 382).

That process has now come to an end, Talbot said. "We are witnessing a collapse of the world system. The recession will not end in two years with an upturn, as Prime Minister Gordon Brown foresees, but will wipe out thousands and millions of jobs worldwide."

Talbot warned that international conflicts would intensify. "There is also no possibility," he said, "that the economic measures being employed will be accepted harmoniously throughout the world."

"We are entering a new period in which working people will not accept the measures that are being used against them and in which global tensions can rapidly explode," Talbot said.

"We have seen the effect that economic devastation and a complete lack of any future have had in Greece where millions have gone on strike and are protesting against the Karamanlis government. It would be gross complacency to imagine such movements could not develop here in a situation of severe economic hardship for millions.

"The economists and politicians disagree on policies, but they all agree that the working class must pay to keep the banks afloat. What is required is to develop a political movement that can express the interest of working people as opposed to the tiny elite of bankers, fund managers and corporate bosses that determine what happens in politics today.

"In opposition to the state bailout of the financial oligarchy, the Socialist Equality Party advocates the transformation of the banks and corporations into democratically controlled utilities, operated to meet social needs, not private profit. It supports a massive redistribution of wealth to benefit working people, including vastly expanded resources for social programs, jobs, health care, housing and education."

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