

Notes on the political and economic crisis of the world capitalist system

Perspective and tasks of the Socialist Equality Party in 2009

David North, Joseph Kishore
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1. The conditions that prevail as humanity enters 2009 cruelly refute the illusions of a new epoch of peace and prosperity that thrived at the dawn of the new millennium. The entire world is engulfed in an economic crisis that is rapidly assuming the dimensions of a historic catastrophe. Amidst the mounting economic disarray, the conduct of the imperialist powers assumes an openly criminal character. Israeli bombs and artillery rain down on the defenseless people of Gaza, recalling the fascist atrocities of Guernica and the Warsaw Ghetto. American imperialism, itself implicated in the slaughter of countless thousands of Iraqis and Afghans, gives its wholehearted approval to the crimes of the Israeli regime. The poet Auden's characterization of the 1930s as a "low and dishonest" decade applies no less aptly to the first decade of the 21st century. And yet, the loss of political illusions is an essential prerequisite for the acquisition of knowledge. The experience of the initial years of the new century refutes the fatuous claims that history (i.e., class struggle against capitalism and imperialism) has ended. Rather, it is becoming increasingly clear that the working class, in the United States and internationally, is entering a new epoch of revolutionary struggles.

The Crash of 2008

2. Exactly one year ago, the Socialist Equality Party stated that 2008 would witness "a significant intensification of the economic and political crisis of the world capitalist system." Analyzing the implications of the developing credit crisis, the SEP stressed that "The turbulence in world financial markets is the expression of not merely a conjunctural downturn, but rather a profound systemic disorder which is already destabilizing international politics." This analysis has been vindicated. The subprime mortgage crisis, festering for more than a year, has metastasized into a global crisis that calls into question the very existence of the capitalist system.

3. For much of the past year, government spokesmen and most bourgeois analysts insisted that the severe losses in the subprime mortgage industry could be contained and would not affect the broader economy. They claimed that the global economy, despite the bursting of the housing bubble, remained basically healthy. This exercise in self-delusion

collapsed amidst the financial disaster that struck in September. For several weeks, the American and world financial system teetered on the very brink of a total breakdown. The president of the United States appeared on national television and declared that "major sections of America's financial system are at risk of shutting down," warning that if emergency measures were not taken immediately, "America could slip into a financial panic." No such words had been spoken by an American president since Franklin Roosevelt ordered a temporary shutdown of the US banking system in March 1933, in the depths of the Great Depression.

4. Almost overnight, icons of American capitalism such as Lehman Brothers and Merrill Lynch were either dissolved outright or absorbed into other institutions. Amidst the universal uncertainty regarding the solvency of the global financial system, the credit markets ceased to function. Only the infusion of hundreds of billions of dollars into the US banking system, coinciding with similarly massive interventions in Europe, staved off a total breakdown of the world capitalist economy. After three months of non-stop emergency measures, during which trillions of dollars have been spent to bail out the financial system, the situation remains perilously unstable. The most astute spokesmen and analysts of the capitalist class recognize that the crisis, far from being solved, is only now entering its most acute stage. Financial Times columnist Martin Wolf greeted the New Year with the following warning: "Welcome to 2009. This is a year in which the fate of the world economy will be determined, maybe for generations. Some entertain hopes that we can restore the globally unbalanced economic growth of the middle years of this decade. They are wrong. Our choice is only over what will replace it. It is between a better balanced world economy and disintegration. That choice cannot be postponed. It will be made this year."

5. Wolf is certainly correct in recognizing the historic character of the unfolding crisis. He is wrong, however, in his presentation of alternatives. While disintegration is certainly a possibility, a "better balanced world economy" is not. In fact, a "rebalancing" of the world economy—that is, the establishment of a new world economic equilibrium on a capitalist basis—can be achieved only through a massive destruction of existing productive forces, a catastrophic lowering of the living standards of the international working class, and, for this to be realized, the annihilation of a substantial section of the world's population. Thus, the real alternative to capitalist disintegration is the rational reorganization of the global economy on a socialist basis. The anarchy of capitalism must be replaced with democratic and scientific planning. Private ownership of the means of production must give way to social ownership, in which the aim of economic life is the satisfaction of human needs, the elimination of poverty and suffering, and the elevation of the cultural level of humanity.

The irrational division of the world's people on the basis of the politically reactionary and economically destructive nation-state system—the source of unending violence and mass murder—must give way to a world socialist federation. The program of international socialism, achieved through the revolutionary struggle of the working class, is the only viable solution to the global crisis.

The objective prerequisites of socialist revolution

6. The objective prerequisites of a revolutionary crisis are rapidly maturing. In 1931, in an article entitled “What Is a Revolutionary Situation,” Leon Trotsky explained:

The economic and social prerequisites for a revolutionary situation take hold, generally speaking, when the productive powers of the country are declining; when the specific weight of a capitalist country on the world market is systematically lessened and the incomes of the classes are likewise systematically reduced; when unemployment is not merely the result of a conjunctural fluctuation but a permanent social evil with a tendency to increase (Writings of Leon Trotsky 1930-31 (New York: Pathfinder, 1973), p. 352).

7. All of these conditions pertain to the United States. The protracted decline of US capitalism, which has led over several decades to a significant erosion of the living standards of the working class and its share of the national income, is now assuming a far more rapid and acute character. According to the most recent statistics, US household wealth has fallen by approximately one quarter in just one year. More than 2.6 million jobs were slashed in 2008, and the hemorrhaging continues. The economic shocks to the living conditions of the working class will continue throughout 2009, with the most far-reaching political implications. As Trotsky wrote:

Economic development of society is a very gradual process, measured by centuries and decades. But when economic conditions are radically altered, the delayed psychological response can quickly appear. Whether quickly or slowly, such changes must inevitably affect the mood of the classes. Only then do we have a revolutionary situation (Ibid, p. 353).

8. Of course, the political consciousness of the working class in the United States (and internationally) is not yet revolutionary. Social consciousness lags behind social being. But the unprecedented changes in the objective situation are altering the lives of hundreds of millions of working people, drastically shifting relations between social classes, and creating conditions for the radicalization of mass consciousness.

9. There will be no peaceful and “socially-neutral” resolution to the crisis. The improvisational responses of the American ruling class to the economic upheaval will solve nothing. Already, hundreds of billions have been squandered in various hastily devised bailout schemes. As for President Obama, he seeks the impossible: A solution to the crisis that does not touch the foundations of capitalism and the interests of the financial elite.

10. Two interrelated processes are unfolding: First, the intensification of the global contradictions of world capitalism, which threaten the impoverishment of the international working class, mass repression and a chain of ever more deadly military conflicts. Second, and in response to these conditions, the development of the social and political militancy of the working class and new forms of revolutionary consciousness. The decisive question is which of these processes will gain the upper hand. This is the context within which the work of the Socialist Equality Party will develop in the course of 2009.

11. The actions taken by the bourgeoisie in response to the crisis testify not only to the economic, but also the ideological bankruptcy of

capitalism. Exactly 20 years have passed since the collapse of the Stalinist regimes in Eastern Europe, followed shortly thereafter by the dissolution of the Soviet Union in 1991. These events were hailed by the international ruling class and its servants in the media and on university campuses as the ultimate triumph of capitalist economics. They proclaimed the capitalist market as the ultimate and infallible arbiter of economic resources. State intervention in economic life was denounced as a destructive imposition on the prerogatives of the capitalist class as the owners of financial institutions and the means of production. Nowhere was the religion of uncontrolled markets and entrepreneurial independence preached with greater fervor than in the United States.

12. The Crash of 2008 has left the high priests of the Cult of Free Enterprise with a great deal of egg on their faces. The same politicians, businessmen, professional economists and media commentators who insisted ad nauseam that all economic problems were best left to the market, who denounced every social program as a drain on the national budget, pleaded, amidst the backdrop of failing banks, for gargantuan government bailouts to prop up their corrupt and crisis-ridden institutions. The advocates of private property and economic individualism had no compunction about placing the collective assets of the American people at the disposal of the banks. It was widely noted that the US government offered socialism for the rich, while insisting on capitalism for everyone else. Of course, government policy had nothing to do with socialism. All of the measures taken were aimed at securing the interests of the most powerful sections of the financial elite. But the massive state intervention in the economy has dealt a staggering blow to the intellectual legitimacy and prestige of capitalist ideology. This, in turn, clears the path for a resurgence of socialism and Marxism.

The protracted decline of US capitalism

13. The roots of the crisis stretch back many decades. Historians will certainly relate the events of 2008 to the longstanding decline of American capitalism, going back at least as far as the end of the Bretton Woods system of dollar-gold convertibility in 1971. The international order that emerged out of World War II had been premised on the overwhelming economic and industrial dominance of the US. Paradoxically, the recovery of European and Japanese capitalism, which had been a necessary goal of American policy after 1945, contributed significantly to the decline of American hegemony, ultimately making the Bretton Woods system untenable. As Comrade Nick Beams has recently noted:

In the final analysis, Bretton Woods foundered because the very expansion of world trade and world investment to which it had given rise—a global expansion of capital—could not be contained within a system of national regulation. The contradiction between world economy and the nation-state system had reasserted itself (“The World Economic Crisis: A Marxist Analysis”).

14. The persistent tendency since 1971 has been the deterioration of the global economic position of the United States. This underlies the general economic instability of capitalism. The process of globalization—bound up with the massive flow of capital into Asia and the astonishingly rapid growth of industrial production on that vast continent—has intensified world economic disequilibrium. The last decade in particular has been characterized by a series of deepening contradictions: the enormous US balance of payments and trade deficits; the precarious position of the US dollar as the world's reserve currency; the financialization of the American economy, increasingly divorced from the production of real value; the generation of a series of speculative bubbles. The glitter of Wall Street concealed problems that erupted periodically over the past decade:

the East Asian financial crisis of 1997, the collapse of Long Term Capital Management and the Russian ruble in 1998, the puncturing of the dot.com bubble in 2001 and the wave of corporate corruption scandals that followed in its wake.

15. One statistic sums up these trends. In 1980, 6 percent of profits in the US were generated by the finance industry; in 2008, the proportion was 40 percent. In a society in which consumption far outweighed production, the manipulation of debt and financial swindling become the foundation of economic life.

The impact of the crash

16. The ability of the ruling class to stave off a reckoning of these contradictions only intensified the consequences when they finally began to unravel over the past year and a half. The credit crisis that began in the summer of 2007 spread throughout the US financial system, heavily invested in essentially worthless assets. One after another major financial institution went under or had to be bailed out in 2008: Bear Stearns, the fifth largest US investment bank; Fannie Mae and Freddie Mac, which account for 80 percent of new mortgages in the US; investment banks Lehman Brothers and Merrill Lynch; American International Group, the world's largest insurance company; Washington Mutual and many others. The entire landscape of American finance has been fundamentally altered. The banking system has undergone a major consolidation, a process that will continue, as smaller banks fail or are bought up by larger institutions, working closely with the government. At the same time, icons of American manufacturing—including General Motors and Ford—teeter on the brink of extinction.

17. By the end of 2008, the carnage on world markets had eliminated approximately \$30 trillion in share value, and this does not include vast sums lost in the unregulated \$700 trillion derivatives market. The speculative bubbles have begun to collapse, and banks and other institutions that have based their operations on mountains of debt have begun to “deleverage.” As the financial party has come to an end, the criminality that underlay the speculative boom has become apparent. In the memorable words of no less an expert than Warren Buffett, “You only know who’s swimming naked when the tide goes out.” At present, there are many financiers who are roaming about in the nude. The \$50 billion Ponzi scheme operated by Bernie Madoff, former chairman of the Nasdaq stock exchange, is only the most notorious (thus far) of scandals exposed by the financial collapse.

18. The collapse of US home prices has destroyed the net wealth of millions of US families who—amidst declining real wages—came to rely on home equity to finance basic necessities like food, health care and education. The housing price decline in the US since its peak is already more than twice that registered during the Great Depression. A December 2008 report by JPMorgan gave one indication of the impact of this crash on the conditions of the American people. “The balance sheet of the American household has recently experienced a record destruction of wealth,” it noted. “A huge drop in equity prices (including 401(k) retirement savings), combined with the ongoing decline in house prices has undone most of the gains in wealth that had accumulated over the previous few years. In the third quarter alone household wealth declined \$2.8 trillion, or 4.7%. Since peaking in the third quarter of last year, \$7.1 trillion of wealth has been destroyed, off 11.1% from its peak.”

19. The impact of the financial crisis on the “real” economy is only beginning to be felt. Manufacturing in the United States is in precipitous decline from already low levels. The Institute for Supply Management index for US manufacturing plunged to 32.4 in December, its lowest level

since 1980, while the index for new orders is at its lowest level since 1948. Figures for manufactured goods orders, durable goods orders and factory shipments are all sharply down in the last part of 2008. Job losses are mounting (including over a million net job cuts in the last two months of 2008), and corporations have begun an attack on wages and benefits. Sales figures for the holiday season in the US were dismal, expressing the growing economic uncertainty confronting the American people.

20. The United States is certainly not alone in feeling the impact. The International Monetary Fund is currently projecting that world GDP will expand by only 2 percent next year, well below the traditional 3 percent cut-off for a world recession. In a November update to its October World Economic Outlook, the IMF reduced downward its projected 2009 GDP for “advanced countries” from a 0.5 percent growth to a 0.25 percent contraction. This would be the first annual contraction of the advanced capitalist countries since the end of the Second World War.

21. Europe is already in recession. Last month, Casten Brzeski, Europe economist for ING bank, said that the fourth quarter of 2008 will “very likely make history as the worst collapse of German industry ever.” Industrial production throughout the continent is declining sharply. Eastern Europe and the countries of the former Soviet bloc have been particularly devastated, in part due to the rapid decline of commodity prices in the second half of last year. The Russian stock index RTS fell 72 percent in 2008, and the central government is rapidly using up the country’s foreign currency reserves. In Asia, Japan, the world’s second largest economy after the United States, saw an 8 percent month-on-month decline in industrial output in November, its largest in history, due in part to a 27 percent plunge in exports.

22. The economic crisis has exploded the myth of “decoupling,” the theory that the fate of the “emerging markets” in Asia and Latin America could be separated from that of the advanced capitalist countries. The decline of consumer spending in the US has precipitated a stunning slowdown of export growth in China. Chinese manufacturers are rapidly shedding jobs, and growth for 2009 is expected to be well below what is necessary to keep up with the country’s rapid labor force growth. China is ripe for a social explosion. In recent months there have been reports of serious social disturbances as Chinese workers protest factory closures and the loss of social benefits. In Latin America, illusions in decoupling were summed up by Brazilian President Luiz Inacio Lula da Silva. Asked in September about the unfolding financial crisis, he responded, “Go ask Bush, it’s his crisis, not mine.” This bravado evaporated as Bovespa, the Sao Paulo stock market, saw 50 percent of its value wiped out in the space of several weeks. Plummeting commodity prices, the flight of speculative capital and the drying up of foreign direct investment have spread the impact of the world financial crisis throughout Latin America, undermining the economic foundations of the so-called “turn to the left” by bourgeois governments like those of Chavez in Venezuela, Morales in Bolivia and Correa in Ecuador, and setting the stage for a new eruption of class struggle.

The crisis of class rule

23. The policies pursued by the American ruling class since September 2008 have consisted of pragmatic improvisations. It has sought to prevent a total collapse while at the same time exploiting whatever opportunities exist for the personal enrichment of the powerful and politically connected. A characteristic feature of every doomed ruling class is an unrelenting pursuit of private economic interests and privileges that makes all but impossible the implementation of socially rational policies. No means are left for the salvation of society outside of revolution. In its

insatiable pursuit of private wealth, regardless of the social cost, the American ruling class equals, and arguably surpasses, the avarice and corruption of the pre-1789 aristocracy in France. Growing awareness and resentment of the ruling elite's grotesque self-enrichment is becoming an increasingly significant factor in the process of mass political radicalization.

24. One of the favorite nostrums of the political establishment in the US is that a problem cannot be solved by "throwing money at it." And yet the economic crisis was exploited to engineer a massive looting of public resources, with vast sums handed directly to the banks and corporations. This was the central purpose of the so-called Troubled Assets Relief Program (TARP), fully supported by the Democratic Party. The US government has now committed more than \$8 trillion to prop up the financial system. It has reduced interest rates to near zero to provide free money to banks. And toward the end of the year it announced a policy of "quantitative easing"—essentially employing the Federal Reserve to print money, in part to combat the threat of deflation.

25. For his part, Barack Obama has announced that he will implement a "stimulus" package of around \$750 billion—consisting of \$150 billion in corporate tax credits, a miniscule tax credit for ordinary people, and an array of infrastructure spending programs geared to the private sector. Not only are these measures completely disproportionate to the magnitude of the crisis, they do not in any way challenge the social interests that have produced it. At the same time, Obama has made clear his plans to attack social programs, including Social Security and Medicare. This will be part of a massive attack on the social position of the working class, a policy to which both political parties are completely committed.

26. None of the measures proposed in any way address the underlying problems, and in fact will only serve to exacerbate the contradictions. The government can hand out as much money to the banks as it wants, but no one has attempted to explain how the infusion of these funds will restore profitability. And as it bails out bank after bank, the question looms: Who will bail out the American government? As a recent New York Times article noted, the Chinese government is already beginning to cut back on its willingness to buy up American Treasury bills. What happens when this lending dries up? The orgy of bailouts ultimately raises the prospect of a massive dollar crisis.

27. Another contradiction goes unaddressed. Much is made of the need to restore the confidence of the American consumer, to "jump start" the spending that has underpinned world economic growth. Yet corporations are responding to the economic downturn with a massive program of wage-cutting and factory shutdowns. This assault on the working class has been spearheaded in the US auto industry, with both Democrats and Republicans insisting that the condition for any government lending must be the destruction of tens of thousands of jobs and the universalization of poverty wages for autoworkers. Such measures are required to restore "viability," i.e., profitability, and they are being implemented throughout the economy. Yet this process further erodes consumer spending in the United States, creating a vicious cycle of economic deterioration. Moreover, any attempt to restore the foundations of the American economy confronts the fact that the ruling elite has over the past 30 years systematically dismantled the productive forces. In the column cited above, Martin Wolf makes an additional perceptive comment, noting, "The US and a number of other chronic deficit countries have, at present, structurally deficient capacity to produce tradable goods and services." That is, the US lacks the productive capacity to create a viable trade balance with exporting countries such as China.

28. The global economic crisis will undermine the political authority of the major capitalist powers and contribute to the shattering of the existing framework of imperialist geo-political relations. Former deputy treasury secretary Roger Altman has written in *Foreign Affairs*:

The financial and economic crash of 2008, the worst in 75 years, is a major geopolitical setback for the United States and Europe... No country will benefit economically from the financial crisis over the coming year, but a few states—most notably China—will achieve a stronger relative global position... Beijing will be in a position to assist other nations financially and make key investments in, for example, natural resources at a time when the West cannot.

29. The vision of the "unipolar moment" which danced in the collective head of the American bourgeoisie is revealing itself to be a mere fantasy. This fact is recognized by significant sections of the ruling establishment itself. In its November 2008 report, *Global Trends 2025: A Transformed World*, the US National Intelligence Council cautioned: "The international system—as constructed following the Second World War—will be almost unrecognizable by 2025 owing to the rise of emerging powers, a globalizing economy, and historic transfer of relative wealth and economic power from West to East, and the growing influence of nonstate actors."

30. As the power of the United States declines and the economic crisis deepens, the attempt to counteract this decline through military force will only intensify. The American ruling class will not accept peacefully the loss of its geopolitical dominance. Already in the first decade of this century, the US has launched neo-colonial operations in Iraq and Afghanistan, in an attempt to gain control of key geo-strategic regions of the world. American imperialism is seeking to expand its influence in Eastern Europe and the former Soviet countries—an ambition that in 2008 almost led to direct conflict with Russia following the US-backed Georgian assault on South Ossetia in August. The American bourgeoisie eyes nervously the ambitions of China in Central Asia, Africa, and Latin America, deeply conscious and extremely resentful of its own dependence on inflows of Chinese capital. No region of the world—including the North Pole—is immune as a potential spark for broader conflict.

31. The eruption of American imperialism is the most concentrated manifestation of the contradiction between globalization and the nation-state system. Despite the integration of the world economy through a million threads of trade and finance, the globe is still riven by states representing different and competing factions of capital. Each state is now intervening to protect the interests of its own capitalist class. Commentators in Europe are denouncing Germany for pursuing a "beggar thy neighbor" policy. Industry in the US is calling for a "buy America" clause to be inserted in any economic stimulus package. In the various meetings since the economic meltdown of September-October, the major world powers have been unable to come up with a coordinated strategy to deal with the economic crisis. The combination of national self-interest and international interdependence can be resolved within capitalism only through war. At the same time, these mounting tensions will themselves become a major factor in the overall instability of the world economy.

32. The implications for the world population are immense. The horrific assault of the Israeli state on the Palestinian people is not only an exposure of the reactionary character of the Zionist project, but a warning to the international working class and all the oppressed. The breakdown of international law, the prevalence of outright criminality in the conduct of foreign policy, the routine commission of atrocities against civilian populations are becoming central features of political life. In military journals, specialists are stressing that the type of operations conducted by the US in Fallujah and by Israel in Gaza will become increasingly common in the coming period.

The mounting contradictions of American and world imperialism

The Obama administration

33. The inauguration of Barack Obama as president of the United States takes place against the backdrop of intense social and political discontent. The economic crisis, not to mention the already existing deep-rooted popular opposition to the war, played a major role in the outcome of the presidential election. Under conditions of deepening recession, millions of working people went to the polls on November 4 with the intention of voting for an end to the wars in Iraq and Afghanistan, to halt torture and the destruction of democratic rights, and to reverse an economic policy that overwhelming favors the wealthy and the corporate elite. While the Democratic Party played a critical role in facilitating all these policies, the specific character of the US two-party system meant that social opposition took the form of the election of the Democratic candidate.

34. From the standpoint of the ruling elite, however, Obama's rise to political power served an entirely different function. A significant section of the political and foreign policy establishment saw in the election of Obama an opportunity for a tactical shift. The conduct of foreign policy by the Bush administration was seen to have been disastrous for the interests of American imperialism. A certain recalibration was required. Obama's potential status as the first African-American president meant that he could be sold—with the help of the mass media and a well-scripted marketing campaign—as “change,” without in any way challenging the foundation of US policy at home or abroad.

35. Throughout the election campaign, the Socialist Equality Party warned against any illusion that Obama and the Democratic Party offered a real alternative to the Bush administration. The party intervened in the elections with its own candidates to present an independent socialist perspective. It strenuously opposed all those tendencies that urged a vote for Obama or promoted the illusion that mass popular opposition would eventually push him to the left.

36. One week after the election, the WWSW explained that the economic crisis would provoke social opposition within the working class, which would bring it more and more into direct conflict with the new government:

What happens when the working class begins to fight for its social interests and comes into conflict with an Obama administration, when the class nature of the Obama administration is revealed and workers come forward to oppose it? Then the class basis of liberalism as a political standpoint of a section of the bourgeoisie and the petty-bourgeoisie will be revealed, and its fundamentally reactionary nature exposed.

Whatever the initial exhilaration over Obama's victory, the deepening economic crisis will sooner rather than later make itself felt in the lives of tens of millions of Americans and begin to clarify the class interests that underlie the new administration. This will set the stage for a new period of class struggle in the United States (“One week since the election of Obama”).

37. This analysis has been rapidly confirmed. Even before he formally assumes his position as “leader of the free world,” Obama—in his cabinet picks, his proposed economic “stimulus” package, his silence during Israel's attack on Gaza—is demonstrating his fealty to the most powerful sections of the corporate elite. Whatever changes are made in tactics and tone, there will be no dismantling of the American military machine, let alone a retreat from the global ambitions of American imperialism. Obama has retained Bush's defense secretary, Robert Gates, the architect of the “surge,” who spelled out the foreign policy trajectory of the new administration in the most recent edition of *Foreign Affairs*: Continuation of the wars in Iraq and Afghanistan; maintenance of conventional US military dominance over potential adversaries, including China and Russia; and preparation for further occupations and “counter-insurgency operations.” For treasury secretary, Obama has selected Timothy

Geithner, one of the chief architects—together with Paulson and Bernanke—of the Wall Street bailouts. Obama has made clear that he will continue the administration's policy of massive handouts to the banks. His cynical repudiation of the wishes of the electorate has assumed an almost provocative character. No opportunity is lost to demonstrate his indifference to the political and moral sensibilities of the millions who voted for him. In a recent interview, Obama said he was thankful for Cheney's “good advice” that, in Obama's words, the new president should not “make judgments on the basis of incomplete information or campaign rhetoric”—that is, on the basis of the promises made to the American people. Obama said he will not investigate the illegal actions of the Bush administration, including torture. “We need to look forward as opposed to looking backwards,” he declared.

38. Obama's breathtakingly rapid disavowal of his own campaign pledges expresses far more than his own dishonesty and cynicism. It reflects a deep crisis of American democracy. The existing institutions and political framework are impervious to the democratic expression of the popular will. Whether a Democrat or a Republican is in office does not impact the basic direction of government policy. The “two-party” system functions ever more crassly as the instrument through which the ruling financial oligarchy exercises its political power and controls the state. It flows from this essential political fact that the direction of the Obama administration will not be altered by popular pressure from the “left,” as claimed by the myriad left-liberal and petty-bourgeois protest organizations oriented to the Democratic Party. The end to war and inequality, and a settling of accounts with the crimes of American imperialism, cannot be realized within the framework of a degenerated capitalist-imperialist regime. What is required is not “change”—the hollow mantra of the Obama campaign—but social revolution.

39. If there is one salutary impact of Obama's election, it is that it will discredit the Democratic Party and its use of “identity politics” as a means of diverting attention from the class struggle and the oppressive and exploitative nature of capitalist society. The fight for social equality, which requires the unity of the working class, was replaced with the allocation of social privileges to small sections of various minority and/or oppressed groups. For decades, the proponents of American liberalism, backed by the various petty-bourgeois radical groups, have sought to elevate race, gender and sexual orientation as the essential categories of American society, while deliberately obscuring the significance of class. The rise of identity politics has coincided with a sharp move to the right by the Democratic Party. The promotion of affirmative action and similar policies has been accompanied, however, by deepening social inequality, including an enormous growth of social inequality within the black population. With the election of Obama, racial politics will be put to the test. The decisive social category in the United States and in every country remains class. And as class struggles erupt, they will sooner rather than later be directed against the new Obama government.

Socialism and the working class

40. Every historical crisis compels the major classes to adopt an independent standpoint and advance, with greater or lesser clarity, a class solution. The initial calls for national unity and common sacrifice will rapidly dissolve into mutual recriminations, mounting hostility and open conflict. It is not possible to chart in advance the precise timetable by which this process will unfold. Several years elapsed before the collapse of 1929 was answered by a movement of the working class. But that movement came, first in the form of the bonus marches of 1932 demanding unemployment relief, then in 1934 in the outbreak of

insurrectionary strikes in Minneapolis, Toledo, and San Francisco. This was followed by the formation of the CIO in 1935 and the eruption of sit-down strikes 1936-37.

41. There are many reasons to believe that the crisis this time will unfold more rapidly. First, even before the crisis had begun the American working class had experienced a protracted stagnation and decay in its living standards. The last 35 years have been characterized objectively by increasing exploitation. Moreover, for all the bluster and arrogance of the ruling elite, the position of American capitalism is in an historic sense far worse than it was in the early 1930s. There was a certain historical confidence that underlay Roosevelt's assertion that there "was nothing to fear but fear itself." As Trotsky said so well, "America's wealth permits Roosevelt his experiments." The situation today is vastly different. The trajectory of American capitalism, on a downward slope for decades, is now falling off a cliff.

42. The objective crisis of American capitalism has far-reaching implications for the development of the social consciousness and political orientation of the working class. In the final analysis, the great problem of the development of socialist consciousness in America, even in periods of industrial militancy and violent class struggle, reflected the power and economically privileged position of American capitalism. This objective foundation of "American Exceptionalism"—the peculiar resistance of American capitalism to the challenge of socialism—belongs to the past. As history has so often shown, the intersection of global decline and economic crisis is a trigger for revolution.

43. The tasks of the SEP proceed from the logic of the socioeconomic and political crisis of American and world capitalism. The party anticipates that the deepening crisis will lead to the social and political radicalization of the working class in the United States and internationally. This radicalization will find expression in the development of mass struggles that strive to break free of the bureaucratic shackles of the reactionary trade unions and assume an increasingly political and anti-capitalist dimension. This tendency is already evident in the events of 2008. The occupation of Republic Windows and Doors was an important step forward—the first independent action taken by a section of workers in response to the economic crisis. In Greece, the killing of a youth was met with a wave of mass protests that intersected with the social crisis in that country and began to spread throughout Europe. These are only initial signs. In every part of the country, in every part of the world, mass struggles will develop, and the task of the SEP and the sections of the ICFI is to intervene and provide leadership.

The political preparation of the Socialist Equality Party

44. In 2008, the Socialist Equality Party took decisive steps in anticipation of the resurgence of the class struggle and the growing influence of our own movement. In August—only a few weeks before the financial crisis exploded—the SEP held its Founding Congress. The Congress was a milestone in the history of the Fourth International and was the outcome of theoretical, political and organizational work in the US and internationally that spanned more than a decade. After extensive discussion, the Congress adopted *The Historical and International Foundations of the Socialist Equality Party*, which traces the heritage of our tendency and reviews the critical historical events, political struggles and theoretical disputes that determine the programmatic identity and perspectives of the ICFI and the SEP. "Revolutionary socialist strategy," we insisted, "can develop only on the basis of the lessons of past struggles. Above all, the education of socialists must be directed toward developing a detailed knowledge of the history of the Fourth

International." In opposition to all those who look to various petty-bourgeois currents to "update" Marxism, we insisted, "The development of Marxism as the theoretical and political spearhead of socialist revolution has found its most advanced expression in the struggles waged by the Fourth International, since its founding in 1938, against Stalinism, reformism, the Pabloite revisions of Trotskyism, and all other forms of political opportunism."

45. The SEP Statement of Principles, adopted by the Congress, is a concise presentation of the political foundations of the party. It lays out our basic aim: "The program of the Socialist Equality Party expresses the interests of the working class, the leading and decisive international revolutionary social force in modern capitalist society. The central task of the SEP is to win the support of American workers for the program of international socialism." Against those who aim to pressure one or another of the parties of the bourgeoisie, we insisted, "The SEP strives, on the basis of this program, to unify and mobilize the working class for the conquest of political power and the establishment of a workers state in the United States. It will create, thereby, the objective preconditions for the development of a genuinely democratic, egalitarian and socialist society." There is no national route to socialism, a fact that is becoming all too clear with the explosion of the global capitalist crisis. We stated, "These objectives can be realized only within the framework of an international strategy, the goal of which is the global unification of the workers of all countries and the creation of a United Socialist States of the World." The Congress also adopted a new Constitution, which establishes the necessary organizational forms for the integration of new forces into the party while maintaining its historical continuity and democratic centralist structure.

46. The SEP's Founding Congress, a conscious expression of a new stage in the revolutionary movement of the working class, represented as well a historical milestone in the development of Fourth International. In its political perspective and class orientation, the SEP congress stood in irreconcilable opposition to the efforts of the anti-Trotskyist Pabloite organizations to fully disassociate themselves from a revolutionary socialist program. The decision of the French Pabloite organization, the Ligue Communiste Revolutionnaire (LCR), to dissolve itself into the so-called "Anti-Capitalist Party" (NPA) is the culmination of its break with Trotskyism that dates back all the way to the 1953 split in the Fourth International. The LCR states explicitly that its new party will not be Trotskyist and that its program will be defined in national terms. In the hypocritical, cynical and evasive language commonly employed by the Pabloite organizations to mask their reactionary orientation, the LCR leaders assert that "The NPA will be an internationalist organization, in charge of its own policies on international matters." In other words, the "internationalism" of the new party will be determined by the national interests by the NPA. This is the sort of "internationalism" that is completely acceptable to the diplomats of the Quay d'Orsay and the French bourgeois state.

47. This formulation of the NPA's international program provides the key to identifying the social forces and political interests that motivate the dissolution of the LCR. The formation of the NPA and similar organizations (such as the ill-fated Respect party in Britain) is a direct and, on the part of the major Pabloite leaders (Krivine and Sabado, et al), highly conscious response to the needs of the bourgeoisie in a period of deepening social and political crisis. As Trotsky explained so vividly, the bourgeoisie, as it confronts mounting social discontent, creates "scores of safety-valves and lightning-conductors," and brings "into existence opposition parties, which will disappear tomorrow, but which today accomplish their mission by affording the possibility of the lower middle class expressing their indignation without hurt therefrom for capitalism" (*Terrorism and Communism* [London: New Park, 1975], p. 53). The principal objective of the NPA project and similar reactionary enterprises

is to prevent, at all costs, the development of a genuinely revolutionary Marxist, i.e., Trotskyist, leadership within the working class.

The World Socialist Web Site

48. Less than three months after the SEP Congress, on October 22, the International Committee introduced its redesign of the World Socialist Web Site. In purely technical and aesthetic terms, the redesign represented a major advance. But the essential purpose of the redesign was political—that is, the development of the World Socialist Web Site to meet the demands posed by the changes in the objective situation and a rapidly growing readership. The new site introduced the Perspective section, which on a daily basis identifies the central political, theoretical and cultural issues of the day. In introducing the redesigned web site, the editorial board explained:

The political orientation and tasks of the World Socialist Web Site proceed from an assessment of the objective implications of the unfolding crisis. Stated briefly, the International Editorial Board maintains the following:

1. The global financial crisis, centered in the United States, marks a decisive turning point in the historical crisis of the world capitalist system. The Marxist analysis of the inherent and insoluble contradictions of the capitalist mode of production has received a stunning vindication.

2. The deepening economic crisis will exacerbate the already substantial tensions between the major imperialist and capitalist powers. The basic historical conflict between the internationally integrated development of the productive forces and the nation-state system will raise ever more openly the danger of global warfare. The efforts of the United States to offset the deterioration of its world economic position, dramatically exposed in the ongoing crisis, will assume an increasingly reckless and unrestrained militaristic character.

3. The worsening economic situation is leading inexorably to a renewed upsurge of class struggle on a world scale. The working class will resist with mounting determination the efforts of the old and corrupt bureaucratic organizations—political parties and trade unions—to block and betray its struggles.

4. A new audience for Marxist theory and the perspective and program of revolutionary socialism advanced by the International Committee of the Fourth International will emerge among newly radicalized workers, students, youth and intellectuals. Only a party that is based firmly on Marxist theory and defends unambiguously the heritage of Trotskyism will meet the challenges of a new revolutionary epoch.

Based on this assessment of the developing crisis, the International Editorial Board sees the redesign and relaunch of the World Socialist Web Site as a major step forward in the struggle for workers' power and the establishment of socialism.

49. The International Committee and SEP anticipate a continued and substantial growth in the readership of the WSW, which is already the most widely read socialist web site in the world. Our aim is the development of the site as the political, intellectual and organizational center for the mobilization of the American and international working class in the struggle for socialism.

50. Our orientation is to the American and international working class as the principal mass revolutionary force in the struggle for socialism. It is this perspective, rooted in the history and traditions of the international Trotskyist movement, that distinguishes us from every other political tendency on the face of the planet. In 2009 the Socialist Equality Party will develop its activity within the working class and fight to give leadership in its growing struggles against unemployment, wage cuts,

attacks on social conditions and, in solidarity with the International Committee, the militarist policies of US imperialism. We will expand the work of the International Students for Social Equality, the youth movement affiliated with the SEP and the ICFI, and present our programmatic response to the pressing social and political problems confronting youth today—soaring debt, the lack of decent jobs, the danger of war and the draft. We will turn students to the working class as a whole. The turn to the working class is intimately bound up with the struggle for Marxism, for dialectical materialism, and the education of a new generation of workers and youth in the theoretical conceptions that have guided our movement throughout its history.

51. The SEP in 2009 will make the case for socialism. We will explain to workers that none of the pressing problems they confront—the economic crisis, mass unemployment and poverty, the danger of world war and new neo-colonial crimes, the threat of dictatorship—can be resolved within the framework of capitalism. What is required is the construction of an independent political party of the working class that has as its aim the revolutionary transformation of global society—the replacement of capitalism, discredited and crisis-ridden, with a globally coordinated economic plan, in which the giant productive forces are controlled democratically, in the interests of social need and not private profit.

52. History has once again taken a sharp turn. The past 12 months have witnessed an extraordinary transformation of the objective situation. Mankind is entering into a new period of political upheavals and social struggles, on a world scale, which will decide the fate of humanity. The objective prerequisites for world socialist revolution are emerging with extreme rapidity. Thus, the role of the subjective factor, the revolutionary party, assumes decisive historical significance. The chasm between the maturity of the objective situation and the present consciousness of the working class must be overcome. This requires, above all, the recruitment of workers and youth into the SEP and their political education on the basis of Marxist theory and the history of the Fourth International. This is the task to which the International Committee of the Fourth International and the Socialist Equality Party must direct all its efforts in 2009.



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