

# The world economic crisis, the failure of capitalism and the case for socialism

## Resolution of the SEP/WSWS/ISSE regional conferences

21 May 2009

*The following resolution was discussed and passed unanimously at three conferences sponsored by the World Socialist Web Site, the Socialist Equality Party, and the International Students for Social Equality on “The World Economic Crisis, the Failure of Capitalism, and the Case for Socialism.”*

*The conferences were held in Ann Arbor, Michigan (April 25); New York City (May 3); and Los Angeles, California (May 10). (See “SEP and WSWS hold regional conferences in US”) This document incorporates revisions and amendments suggested at the conferences.*

*The resolution is also available in PDF.*

1. The capitalist system has entered the most serious crisis since the Great Depression of the 1930s. In response to this crisis, workers must advance a socialist solution. Moreover, the crisis is international, affecting working people in every country of the world. There is no national solution to the breakdown of globally integrated capitalism. The *World Socialist Web Site*, the Socialist Equality Party, and the International Students for Social Equality put forward the following program as the basis for a new social and political movement of the working class.

2. To workers who ask, “Why is it necessary to adopt a socialist program?” we answer: Because the capitalist system has failed! The existing economic system has nothing to offer the working class but exploitation, poverty, repression and war. The facts speak for themselves.

3. For the first time since the end of the Second World War, the global economy will decline in 2009. More than 50 million people will lose their jobs throughout the world this year as companies shut down or shed jobs. The number of the “chronically hungry” is expected to rise by 100 million in 2009, bringing it well over the 1 billion mark.

4. In the United States, hundreds of thousands of jobs are eliminated every month. The number of workers who are unemployed or underemployed has grown by 10 million in one year alone, to 24 million. Official unemployment is at 8.9 percent and in many states exceeds 10 percent. Actual unemployment is much higher. Millions of workers are in the same situation: without a steady job and a decent wage, they are unable to afford housing payments, credit card bills, health care for their families, education for their children, or other basic necessities of life. As the crisis deepens, corporations are forcing workers to accept further cuts in wages and benefits.

5. Workers are not to blame for the situation they confront. Rather, the crisis is an indictment of capitalism. It is the outcome of an economic, social and political development stretching back four decades. Since the mid-1960s, the global position of American capitalism has dramatically deteriorated. Its once dominant industries have been overtaken by rivals in Europe and Asia. In response, the American ruling class has launched a brutal offensive against the living standards and social position of the American working class in order to drive up the level of exploitation.

Entire sectors of the American economy—including most manufacturing industries—have been systematically dismantled because they were not sufficiently profitable. Millions of jobs have been destroyed and entire cities devastated. At the same time, American capital has scoured the globe for cheap sources of labor and higher profits.

6. The protracted decline of American manufacturing and the growth of investment banking and speculation as the major source of corporate profit have led to a concentration of power in a financial oligarchy that, for all intents and purposes, dictates political and economic policies. Basing itself on the privileged position of American markets and the US dollar, this oligarchy has been able to borrow resources from all around the world to fund its parasitic activities, which are increasingly divorced from the production of any real value. This process has generated deep structural imbalances in the world economy, including an extreme growth of indebtedness in the United States. The proliferation of speculation in stocks, derivatives and, finally, mortgage-backed securities was the means through which vast fortunes were built up. This process was inherently unstable and has come crashing down.

### The Obama administration

7. The reaction of the governments of the world, led by the United States, has been to defend the interests of the very people responsible for the crisis. Behind the increasingly reckless multitrillion-dollar bailout programs is one overriding concern: to protect the interests of the large banks and rich investors.

8. When the financial crisis exploded in September 2008, the Bush administration, with the support of the Democratic Party, organized a massive bailout of the banks—the \$700 billion Troubled Asset Relief Program (TARP). However, this sum was insufficient to make the banks “whole”—that is, to fill the gap created by the collapse of their speculative investments. The Obama administration initiated a series of further measures, including a trillion-dollar subsidy to private hedge funds to buy up the “toxic assets” on bank balance sheets.

9. Obama claims that bailed-out banks will resume lending and help American consumers and small businesses. This has not happened. The banks are using taxpayer money to pad their balance sheets, finance corporate acquisitions and, of course, pay for huge executive salaries and bonuses. The bailouts will eventually be paid for through attacks on the working class and cuts in key social programs, including Social Security, Medicare and Medicaid.

10. Defending the bonuses of finance industry executives, the Obama administration invoked the “sanctity” of contracts. This principle,

however, does not apply to workers. Obama has demanded that auto workers accept new cuts in wages, jobs and benefits to make the US auto companies “viable”—that is, to ensure that they provide an adequate and continuous rate of return to investors. Behind this blatant double standard lies the political fact that the government serves the interests of the ruling class. The implications for workers are devastating. General Motors has announced plans to eliminate 23,000 jobs. Chrysler has declared bankruptcy and will close at least eight plants, coming on top of major cuts in wages and benefits.

11. Obama is defending the interests of the ruling class in foreign and military policy as well. The occupation of Iraq continues. The new president has sent tens of thousands more US troops to Afghanistan to carry out bloody attacks on the population, and he is escalating attacks on Pakistan, which threatens to destabilize that country and provoke a broader war. While insisting that social programs be cut across the board, Obama has increased military spending to \$640 billion this year. At the same time, the administration is keeping in place the Bush administration’s attack on democratic rights, while opposing the prosecution of government officials guilty of violations of international and domestic law and attempting to block the release of photographs documenting war crimes.

12. Obama won the 2008 election by appealing to popular opposition to the Bush administration and the desire for “change.” However, the class character of the new administration is emerging ever more openly. The actions of the new administration demonstrate that nothing can be changed so long as the working class remains tied to the Democratic Party and the two-party system.

### **For the mobilization of the working class!**

13. To defend their interests, workers must advance their own solution to the crisis. This means mass demonstrations, strikes, factory occupations and other forms of working class struggle. Without this struggle, workers have no way of opposing the unending attack on their jobs and livelihoods.

14. Every gain of the working class has been won through struggle. From the 1870s and the fight for the eight-hour day and child labor laws; to the mass strikes of the 1930s and the right to organize industrial trade unions; to the fight for racial equality and democratic rights—everything the working class has achieved it has had to fight for. The Great Depression of the 1930s led to a wave of mass actions. These included the bonus marches of 1932, the mass strikes of 1934 in Minneapolis (Teamsters), Toledo (auto workers) and San Francisco (longshoremen), and the great sit-down strikes in Flint, Michigan in 1936-37, which spearheaded the formation of the United Auto Workers. Throughout the 1950s, ’60s, and ’70s, mass working class strikes were a common feature of American life.

15. For the past 20 years, however, open class struggle has virtually disappeared in the United States. This is not due to the decline in class antagonisms or social tensions—in fact, social inequality has risen enormously during this same period. It is due above all to the bankruptcy of the old organizations that supposedly represent the working class. The bureaucratic apparatuses organized today in the AFL-CIO and the Change to Win Coalition—trade unions in name only—function as accomplices in the corporate assault on workers.

16. These organizations long ago made their peace with the capitalist system. In the aftermath of the Second World War, the labor bureaucracy, with the support of the state, organized a purge of militants and socialists—the very people who had led the creation of the unions. They

said that the interests of workers could be looked after within the framework of capitalism, without any radical change in the economic system or challenge to corporate control and management of factories and workplaces. As a central part of their nationalist outlook, the union bureaucracy supported American militarism, lending its services to advancing the interests of the ruling class abroad.

17. The response of the union bureaucracy to the corporate-financial onslaught on the working class that was launched three decades ago was to integrate itself ever more fully into the management structure. Beginning in the 1980s, the union leadership worked consciously to isolate and betray every major strike. Since then, the number of strikes has declined dramatically, even as the assault on the working class has intensified. Every contract agreed by the unions has included more concessions in wages, benefits and jobs. No longer can these organizations be called “unions.” They function as a branch of corporate management, policing the working class, containing social unrest, and enforcing concessions. As part of the current assault on auto workers, the UAW will become a principal owner of both Chrysler and GM, with a direct interest in the exploitation of the workers it supposedly represents.

18. At the same time, these organizations have worked to subordinate the working class to the capitalist system and its political representatives, especially the Democratic Party. Their response to the current economic crisis, aside from increasing their collaboration with the capitalist class, is to promote the nationalist lie that the interests of workers in the US can be defended by pitting them against immigrant workers and workers in other countries.

19. Workers must end this decades-long period of concessions and defeats. The resumption of the class struggle requires a decisive break with the old organizations. We call for the formation of new organizations, including independent rank-and-file workplace committees and neighborhood and youth committees. These organizations must become the center for genuine democratic decision-making and the planning of mass actions. In particular, we urge auto workers to begin the formation of a rank-and-file opposition coordinating committee to organize mass resistance to the corporations and their collaborators in the UAW.

20. The resumption of class struggle is vital and necessary. However, if it is to succeed it must be guided by a political strategy. The starting point must be the recognition that the struggle is against the capitalist system, a system based on the exploitation of the working class in the interests of private profit.

21. A radical change is necessary in the basic organization of the world economy. No longer can the vast productive forces of mankind remain subordinated to the interests of a tiny layer of billionaires. Only through the socialist reorganization of economic life to meet social needs, not private profit, can a solution be found to the pressing problems facing billions of working people.

### **For the international unity of the working class**

22. A resolution to the crisis in the interests of the working class can be achieved only on an international level. The world economy is today more closely integrated than at any time in history. This global integration provides the basis for a vast development in the living conditions of mankind. However, this integration comes into conflict with the national interests of different sections of the corporate elite. Seeking to defend their own interests, they encourage workers to believe that keeping their jobs requires attacking the jobs of workers in other countries. This is a lie. There is no shortage of needs to be met, needs that require the labor of

everyone who can work.

23. None of the problems that confront workers in the United States can be solved on a national level. Economic collapse, war, the attack on democratic rights, exploitation, unemployment, poverty and the destruction of the environment are not simply American problems. They are world problems that require global solutions. The working class is the only truly international class, the only class whose interests transcend all national boundaries. Workers in the United States can combat the power of the corporate and financial elite only through the forging of the closest collaboration with workers in every country.

### **For an emergency social and public works program**

24. We call for an emergency program to address the economic crisis in the interests of the working class. This includes hundreds of billions of dollars to provide food, medicine and shelter to those desperately in need. In the United States, a public works program is required, which will set as its immediate task rebuilding industry, reconstructing and expanding schools and health care facilities, and developing critical social infrastructure.

25. Every worker should be guaranteed employment and decent living conditions, with wages indexed to the price of basic necessities. At the same time, work hours must be reduced—no one should be forced to work multiple jobs to make ends meet. We call for a massive investment to ensure high-quality education for all; provide universal, comprehensive health care; fund state-subsidized housing construction to build comfortable and affordable homes; guarantee retirement security at a decent income for all working people; and expand funding in arts and culture and scientific research.

26. For decades, the American ruling class has claimed that there is “no money” for decent jobs and social programs for everyone. Barack Obama is now insisting that every government program be examined with a fine-tooth comb. These cuts, which come after the administration has shelled out trillions of dollars to the banks, will have a devastating impact on already starved social programs.

### **For the nationalization of the banks and major corporations**

27. The most critical task in realizing this program is to break the stranglehold of the financial oligarchy, which dictates policy in the United States and pursues an agenda of global plunder. We call for the nationalization of the large financial institutions under the democratic control of the working class. The accumulated wealth created by the working class must be directed to the satisfaction of pressing social needs. An end to private control of the banks is the prerequisite for granting immediate debt relief to workers and small businesses. We call for a massive reduction in home mortgages, student debt, and credit card debt, along with an immediate halt to home foreclosures. To establish the economic foundation for the reorganization of economic life, we call for the transformation of all large corporations into publicly owned and democratically controlled enterprises.

### **For social equality**

28. Social inequality has grown enormously during the past 30 years, in line with the growth of exploitation and parasitism. Since 1979, the wealthiest 1 percent of the American population has more than doubled its share of the national wealth, from 19 percent to over 40 percent. In 2008, the top 25 hedge fund managers took in \$11.6 billion, even in the midst of economic collapse.

29. We call for a program of social equality, including a sharp increase in taxes on the wealthy, while reducing taxes for the majority of the population. The fortunes that have been built up through criminal and speculative means must be recovered. The books of the giant corporations and financial institutions should be opened for public examination. Those who are found guilty of fraudulent activities should be prosecuted.

### **For an end to militarism and war**

30. It is now more than six years since the beginning of the Iraq war. This act of aggression has resulted in the deaths of over a million Iraqis and destroyed an entire society, while leading to the deaths of over 4,000 US soldiers. In prosecuting the wars in Afghanistan and Iraq, the American financial and corporate elite is seeking to assert military control over regions rich in oil and other natural resources.

31. As the economic crisis intensifies, the contradiction between the long-term decline of American capitalism and the unquenchable appetite of the ruling class will intensify the drive toward military conquest, increasingly pitting American imperialism against its rivals in Europe and Asia. The world confronts the disaster of a new world war, this one fought by nuclear-armed powers.

32. We demand the immediate and unconditional withdrawal of all US troops and private mercenaries from Iraq and Afghanistan and an end to US military aggression throughout the world. The US war machine must be dismantled, and the vast sums expended upon it used to pay reparations to the societies devastated by American bombs and to help meet pressing social needs at home.

### **For the defense of democratic rights**

33. Employing the pretext of the “war on terror,” the American government has initiated a series of anti-democratic measures, including torture, rendition, indefinite detention and domestic spying. These policies have as their real target the suppression of any resistance to the policies of the American ruling class, including resistance that emerges in the United States.

34. We call for an immediate end to all these programs and the restoration of fundamental democratic and constitutional rights. We call for the arrest and prosecution of leading government officials who ordered torture. All those who knew about these actions and kept them secret—including leading members of the Democratic Party—must be held accountable.

### **Build the Socialist Equality Party!**

35. The two-party system in the United States is the political mechanism by which the financial and corporate elite controls the political process.

The actions of the new administration have exposed the bankruptcy of all those supposedly “left” tendencies that promoted illusions that the interests of ordinary people could be advanced by electing Obama.

36. To advance its interests, the working class requires its own political party, the Socialist Equality Party, based on an international and socialist strategy. The SEP and its predecessor, the Workers League, has an unbroken record in fighting for the independent interests of the international working class, in opposition to Stalinism, the trade union bureaucracy and all those tendencies that have sought to tie the working class to the capitalist system and its political representatives.

37. The SEP seeks not the reform of capitalism, but the creation of a socialist, democratic and egalitarian society through the establishment of a workers’ government and the revolutionary transformation of world economy. We seek to unify workers in the United States and internationally in the common struggle for socialism—that is, for equality and the rational and democratic utilization of the wealth of the planet.

38. This conference makes an urgent appeal to workers and youth throughout the United States and internationally: Build the International Committee of the Fourth International, the Socialist Equality Party, and its student organization, the International Students for Social Equality! Take up the fight for socialism!



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**