

# Opening report to the SEP (Australia) Founding Congress

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*The following is the opening report delivered by Nick Beams, national secretary of the Socialist Equality Party (Australia), to the SEP's founding congress held in Sydney on January 21–25 (see: "Socialist Equality Party (Australia) holds founding Congress").*

1. In all our discussions on perspectives throughout our international movement—in the founding of the Socialist Equality Party in the US in August 2008, in the preparations for this founding congress and the preparations being made in all the other sections of the International Committee of the Fourth International (ICFI)—we have placed the central emphasis on historical analysis. We are seeking to lay bare the logic of the historical process and align our party in accordance with it. At every point we are seeking to place events in their historical context, grasp the processes that have shaped and given rise to these events and, in that way, prepare for the future. In other words, we prepare our perspectives for the future by going more deeply into the past. This is a method of work which is completely opposed—as we have previously reviewed and I shall refer to again later in this report—by all the various ex-left, ex-radical tendencies.

2. This process of historical examination and re-examination is not a once-and-for-all task. We are continually going back into history to clarify questions and processes—some of which could not have been understood at the time—and to further understand others which could only be understood partially or incompletely.

3. In this work there is no more important task than comprehending the objective logic of our own practice, of our own movement and the struggle we have undertaken because we do, in Trotsky's words, carry upon our shoulders "a particle of the fate of mankind". At this founding congress we are seeking to disclose and grasp the logic of our own historical development: that is, to reveal the historical processes, some of an extremely protracted character, out of which our party has arisen and thereby to grasp the significance of the point we have now reached in founding this party, and the tasks that are posed for the future. In the perspectives resolution, we have sought to trace the complex relationship between the development of the class struggle and the fight for Marxism in the Australian workers' movement, seeking to disclose in what way the particular and peculiar national features are, in Trotsky's words, an original combination of the basic features of the world process.

4. Let me try to illustrate these issues by recalling some dates. It was 38 years ago, in April 1972, that the Socialist Labour League was founded, to become, in November of that year, the Australian section of the International Committee of the Fourth International. Consider the situation 38 years before that. In 1934, the world was in deep economic depression, war clouds were rapidly gathering and Trotsky had issued the call for the building of the Fourth International following the disastrous events in Germany—a call which received a response even in this faraway land. Over the course of the next 38 years, the world was to change dramatically, as it has in the period from 1972 until today. In the coming period, we can anticipate and must prepare for—and herein lies the

significance of this congress—vast changes, taking the form of great social, economic and political upheavals.

5. I would like to turn to this analysis by pointing out that this year will see a major anniversary in the struggle of the International Committee. It is the 25<sup>th</sup> anniversary of the split with the national opportunists of the Workers Revolutionary Party (WRP) in Britain—an event whose historical significance increases with every year that passes.

6. What a series of events has taken place in this quarter century. At the beginning of 1985—this month—delegates were gathered in Britain for the 10<sup>th</sup> Congress of the ICFI. It was a meeting of enormous crisis. The crisis emanated from the fact that the criticisms of the rightward political orientation of the WRP raised by David North and the Workers League had been suppressed. But within one year the political landscape had been completely transformed—the balance of forces shifted dramatically as the opportunist forces that were seeking to liquidate the ICFI were defeated and a struggle had begun to restore genuine Marxism to the centre of the ICFI and politically rearm it. The reason the ICFI was able to act so decisively in the crisis—amidst great confusion, conflict and turmoil—was that it worked off a perspective that had been developed in the preceding period. That is a tremendous lesson as we enter a period of great social and political crisis.

7. There was a deep significance to the victory of the Marxists over the opportunists. Our opponents sought to base themselves directly upon the Stalinist and social democratic bureaucracies and their continued domination over the workers' movement. But as subsequent events were to show, these apparatuses were breaking up. In 1985 the Stalinist bureaucracy had brought Gorbachev to leadership and by the end of 1991 the Soviet Union had been liquidated.

8. I mentioned that the importance of the split in the International Committee grows with every year that passes. The reason is that this struggle was the outcome, the expression in the political superstructure, of vast changes in the economic base of the world capitalist system that have now created a new period of social revolution. These processes found their initial expression in the collapse of the Stalinist regimes. In a certain sense, the historical period opened up by the Russian Revolution had come to an end. This did not mean, as the proponents of the "end of history" thesis tried to maintain, that socialist revolution was a thing of the past. Rather, the very processes that led to the collapse of the Stalinist regimes were creating the conditions for a new period of social revolution, with a scope and intensity far beyond that of the Russian Revolution. Of course that was not immediately apparent at the time—far from it. That only demonstrates, once again, that it is necessary to base one's politics not on conclusions drawn from immediate appearances but from the objective historical logic of events. The past 25 years have been a period of preparation, both of objective conditions and of our own movement. Now a new stage has been reached. That is how we must understand the work of the International Committee over this period and the new situation we are entering with the holding of the SEP founding congresses.

9. The most profound socio-economic process of the past 25 years has been the globalisation of production—a process that has transformed the structure of world capitalism, with the most far-reaching social, economic and political consequences. Let me turn to some aspects of this transformation and their implications for our perspectives.

10. In the first place, we have seen the integration of the global working class on an unprecedented scale—a fact of great historical significance for our perspective of world socialist revolution. It has been estimated that, with the integration of China and India into the circuits of global capital over the past 25 years, the size of the global labour force has doubled. This integration, of course, has been carried out with all the brutality and violence with which every transformation of capitalism has been implemented. Writing in the 1850s on the role of British colonialism in India, Marx explained that a social revolution had been carried out that was “actuated by the vilest interests.” “But that is not the question,” he continued. “The question is, can mankind fulfill its destiny without a fundamental revolution in the social state of Asia? If not, whatever may have been the crimes of England, she was the unconscious tool of history in bringing about that revolution.” He returned to this question in a letter to Engels in 1858: “The specific task of bourgeois society is the establishment of the world market, at least in outline, and of production based upon the world market.” That process had some considerable further distance to go when Marx wrote these lines but today it has in a certain sense reached its completion with the development of an integrated global market for labour. Given the global character of the socialist revolution, Marx even pondered whether it would be possible for a socialist revolution to take place in Europe under conditions in which “in a far greater territory the movement of bourgeois society is still in the ascendant”.

11. Trotsky turned to this question in his famous report on Europe and America delivered in February 1926. Nine years after the October Revolution, the Soviet Union still remained isolated. Did this perhaps mean that the perspective of world socialist revolution on which it had been based was somewhat premature? To answer this question Trotsky conducted a review of the world situation. European capitalism had become reactionary in the absolute sense of the word. But what of America and Asia, what were the perspectives there? American capitalism was clearly taking forward a development of the productive forces and capitalism was only just beginning its penetration of Asia and Africa. “The conclusion seems to be the following: capitalism has outlived itself in Europe; in America it still advances the productive forces, while in Asia and Africa it has before it a vast virgin field of activity for many decades if not centuries. Is that really the case? Were it so, comrades, it would mean that capitalism has not yet exhausted its mission on a world scale.” Of course, the crucial question, as Trotsky pointed out was that capitalism operated on the basis of world economy—no part of the world could be considered in isolation. Yes, American capitalism was able to continue the development of the productive forces yet America could no longer maintain itself on the basis of an internal equilibrium—no matter how large its home market—but required a world equilibrium. America depended on unstable Europe while at the same time the penetration of capitalism into Asia and Africa brought with it vast struggles against imperialism and colonialism. Trotsky’s perspective of world revolution was completely vindicated in the revolutionary struggles that erupted over the next period. Capitalism was only finally able to stabilise itself after World War II, not because of any inherent strength but as a result of the betrayals of the leaderships of the working class. A certain equilibrium was established. Europe was reconstructed, American capitalism was able to revive the world economy and the anti-imperialist struggles were brought under the control of the national bourgeoisie and their political representatives—a process that took its most left-wing forms in India and China. But now this equilibrium has been completely shattered and we have the

emergence of a global working class connected by the daily processes of production and the movement of capital, and where masses of people the world over are connected by new and ever more powerful means of communication. This has profound significance for our work. We spent considerable effort in our perspectives document working over the question of Australian exceptionalism. What have been the obstacles to the development of a socialist movement? One of the most significant changes over the past 38 years has been the breaking down of the objective conditions on which all the national opportunists based themselves. In the past it was somewhat difficult to grasp the predominance of world economy and world politics. Today it is a palpable fact of life. That does not mean that there is any lessening of the struggle but it does signify that our tendency undertakes this struggle under transformed conditions.

12. This brings us to the second major aspect of the transformation arising from the globalisation of production—the decline of the United States. When the Soviet Union disintegrated 20 years ago our movement alone explained that its demise was the initial expression of the breakdown of the entire post-war order, and the harbinger of a crisis of US imperialism. Contrast the present situation with that at the beginning of the current decade. Just ten years ago the talk was of the unchallenged supremacy of the United States, the unipolar moment. The US was the indispensable nation. Now the decline of the US is an openly acknowledged political fact of life—one with profoundly destabilising consequences.

13. This decline is rooted in the US economy itself—a fact of great historical significance. If we take the period since the Russian Revolution, then the major objective factor blocking the development of the socialist revolution has been the economic strength of US capitalism. Trotsky pointed to the fact that in the 1920s American capitalism was still capable of developing the productive forces. A series of political factors—crucially the betrayals of the social democratic and Stalinist leaderships of the working class—meant that this capacity was, on the basis of great destruction and the death of tens of millions, able to be utilised for the reconstruction of the world capitalist system after World War II. What a contrast with the present situation. It is highly significant that the global economic and financial crisis has emerged in the form of the decay and putrefaction of American capitalism. US capitalism, which once stabilised the entire world capitalist system, has now become the most destabilising factor. It seeks to use its military might to retain its global position, threatening to plunge mankind into a third world war.

14. I come now to the global economic and financial crisis that erupted in 2007–2008, and which arose from the globalisation of production and finance over the past 25 years. The most significant feature of this crisis is that it developed out of the very mechanisms and processes that had been established to overcome the crisis of profitability that rocked world capitalism in the late 1960s and early 1970s.

15. The crisis of 2007–2008 brought to an end a whole regime of accumulation that had arisen over the previous 20–25 years, based on financialisation, above all in Britain and the US, and the exploitation of cheap labour in China, India and Asia in general. In the past nine months or so, the financial meltdown has been halted with the greatest injection of government funds into the financial system seen in history. But none of the underlying problems has been overcome. In fact, they are being exacerbated.

16. According to an analysis prepared at the Bank of England, the intervention to support banks in the US, UK and Euro-area during the crisis was \$14 trillion, or almost a quarter of global gross domestic product (GDP). As the report’s authors note, this intervention “dwarfs any previous state support of the banking system”.

17. Far from resolving the crisis, the intervention has led to the growth, in an even more grotesque form, of the financial parasitism that gave rise

to the crisis in the first place. Take the situation in the United States. As a result of the actions of the US Treasury and the US Federal Reserve Board, the major banks, supplied with unlimited amounts of cash at virtually zero interest, have been able to boost profits. Writing in the *Financial Times* of January 12, Robert Reich noted: "It has been more than a year since all hell broke loose on Wall Street and, remarkably, almost nothing has been done to prevent all hell from breaking loose again. In fact, close your eyes and you could be back in the wilds of 2007. Bankers are still making wild bets, still devising new derivatives, still piling on debt. The big banks have access to money almost as cheaply as in 2007, courtesy of the Fed, so bank profits are up and bonuses as generous as at the height of the boom." The five major banks have been strengthened by the elimination of some of their competitors and will be backed by future bailouts. As Simon Johnson, the former International Monetary Fund chief economist, put it: "Goldman Sachs has become the world's biggest hedge fund underwritten by the US government." Under legislation now going through Congress, the Fed will be authorised to provide up to \$4,000 billion to the banks—that is twice as much as was pumped into financial markets last year. The banks are not making money because of some revival in the US economy. Since the start of the recession, more than seven million American workers have lost their jobs. In the past decade there has been no net increase in employment and real median wages have declined.

18. One of the most significant features of the global crisis was the inability of the central banks to bring about a recovery by reducing interest rates. That is what had taken place in the series of financial crises since the October 1987 share market plunge. The cutting of interest rates had overcome the Mexican bond crisis, the Asian financial crisis, and the collapse of the tech bubble, but in 2007–2008 the policy failed. Since March 2009, with the official Fed rate at or near zero, the Fed has been engaged in a policy known as "quantitative easing". This policy involves the massive injection of liquidity into the financial system through the purchase of government debt by the central bank. It is estimated that as much as \$2 trillion has been pumped into the financial system by means of this policy. What has this money been used for? The short answer is that the purchase of government debt, through a series of financial operations in which the major banks earn hundreds of millions of dollars in fees, has led to a gigantic creation of money and debt.

19. The fiscal deficit in the US for 2009 totalled nearly 12 percent of GDP. It required \$1.5 trillion of new debt to finance it. The Chinese bought about \$100 billion, and foreign investors as a whole about 20 percent of the total. The balance was purchased by the Fed. US treasury notes are issued to finance the government debt. But rather than this debt being purchased by foreign capital, it is increasingly being bought up by the Fed, which is printing dollars or, to put it more accurately, creating huge amounts of additional money electronically, to purchase the debt. This process is inherently unsustainable. The financial system has been kept afloat by a creation of a new financial bubble—this time in government debt.

20. The regime of accumulation that developed through the 1990s and over the past decade had two aspects: the financialisation of the US economy and the expansion of the Chinese economy. The response of the Chinese government to the crisis was a \$570 billion stimulus package. This spending, together with the expansion of bank credit, has created a colossal capital investment bubble in China. According to most estimates, nearly 90 percent of GDP growth in the first seven months of 2009 was the result of fixed asset investments financed by the expansion of debt and government spending. Chinese bank lending increased by over \$1.35 trillion. But this is leading to the build up of explosive contradictions in the Chinese economy. One indication is provided by the export and import statistics. While exports increased by 17.8 percent in the past 12 months, imports were up by 56 percent. This shows that the Chinese economy is

being sustained by a massive internal infrastructure and investment boom. As one recent comment in the *Financial Times* noted, asset investment now comprises 50 percent of GDP—this compares with a rate of 30 percent for Japan in the years of its economic expansion. This cannot continue indefinitely. As the *Financial Times* explained: "Just as there has never been a bubble that hasn't burst in the end, so there has never been an investment boom that hasn't been followed by a bust. If China's investment-to-GDP ratio were to drop to the levels of 1960s Japan—not an absurd idea, since that is also where it was in China ten years ago—the impact would be catastrophic. China itself would face slump and the mother of all banking crises. A domino reaction would hit the commodity exporters and other emerging economies. The deflationary impact of Chinese overcapacity would be felt everywhere, potentially putting the world trading system at risk." Another study warned that "the coming slowdown in China has the potential to be a similar watershed event for world markets as the reversal of the US subprime and housing boom".

21. This analysis has particular relevance for Australia. In some ways, Australian capitalism was insulated from the first impact of the global financial crisis. This gave rise to a resurgence of Australian exceptionalism. It was claimed that the sound regulation of the Australian banks—a model for the rest of the world—lessened the impact of the financial crisis. In fact, the impact of the crisis was determined by the combination of world processes that characterise Australian capitalism. What protected the banks was not sound regulation but the fact that rather than supplying money to the American financial markets, they were borrowing money from overseas to invest in the Australian domestic housing market. And the Australian economy, as one of the chief exporters to China, benefitted directly from the Chinese government's enormous stimulus package. But this very dependence means that even a significant downturn, let alone a crisis, in the Chinese economy will reverberate in Australia with explosive force.

22. In our analysis of this economic crisis, we have made clear that it is the form through which a vast restructuring of capitalism is taking place, a restructuring that is based on the impoverishment of the working class. The ruling class cannot rule in the old way and the working class cannot live under the new economic, social and political order that is being prepared. The objective conditions for social revolution are being created.

23. The process of capitalist restructuring is already well under way. The bailout of the banks has led to an unprecedented increase in government debt, which is now to be paid for by the working class. Since 2007, government budget deficits in the OECD countries have increased by 7 percent of GDP and now stand at more than 8 percent. An amount equivalent to 8 percent of GDP is being added to total government debt every year. Total government debt has already risen by 25 percent of GDP to more than 100 percent of GDP.

24. The implications of these massive debts are being spelled out very clearly by all the financial spokesmen of the bourgeoisie. George Magnus, the senior economics adviser at the UBS investment bank, for example, writes of the "pain of protracted fiscal restraint". So severe is the crisis that the "spectre of sovereign default has returned to the rich world". That is, so large is the increase in debt that governments of major capitalist countries could default. Magnus is in no doubt about who must pay, insisting that slogans like "raid the rich" will no longer do. The McKinsey Global Institute in a report on global financial deleveraging, published last week, pointed to a grim climate of austerity for the next decade. Martin Wolf, the economics commentator of the *Financial Times*, writing on the situation in Britain, noted that the UK was much poorer than it thought it was and that "the struggle over the distribution of losses is going to be brutal". The political implications of this struggle are now being discussed in ruling circles. In a recent article on the growth of government and the pressing need to reduce it, *Financial Times* columnist Gillian Tett noted: "What is becoming clear is that hard numbers do not tell the entire tales.

What will be equally crucial in the coming years is not the sheer scale of debt, but whether governments can implement a rational way of cutting it—and potentially allocating pain—without unleashing (at best) political instability, or (at worst) full blown revolution.”

25. The first phase of the economic breakdown has passed. But there is no return to the status quo ante. Rather what lies ahead are further economic upheavals and, above all, the eruption of social and class conflicts, and social revolution. The last period of revolutionary conflicts, from 1968–75, ended when the working class in country after country, including Australia, was blocked from entering the struggle for political power by its own leaderships. Consequently, the bourgeoisie was able to stabilise its rule and then launch an offensive against the working class. It carried out a sweeping restructuring of the world economy in an endeavour to resolve the economic contradictions that had brought an end to the post-war boom. Now that very restructuring has raised to a new peak of intensity all the contradictions of the world capitalist system, posing once again the struggle for political power before the international working class. The question therefore arises at this point: what is the relationship between the working class and the organisations that blocked it from the struggle for power in the last period of revolutionary upheaval? What has been the impact of globalisation on the politics of the workers’ movement?

26. The past 25 years are often characterised as a “difficult” period from the standpoint of the development of the socialist movement. But such a characterisation remains at the level of immediate appearance. There have been great difficulties and problems, of that there is no question. But it is necessary to probe deeper to reveal the essential processes taking place. Here it becomes evident that the difficulties were the initial expression of more profound processes—the decay and disintegration of the old organisations that dominated the workers’ movement throughout the twentieth century. True, our movement may have enjoyed more support in the past, but I would venture to suggest that support for our tendency among the more class conscious workers came from those who saw our party as the most left-wing component of a broader workers’ movement. That movement no longer exists and its collapse created problems. However, in the final analysis, its decay was a necessary, if painful process, because the old workers’ movement, dominated by the reformist and Stalinist apparatuses, was the means by which the working class was subordinated to the bourgeoisie. Our task therefore is nothing less than the reconstruction of the socialist movement of the working class. The disintegration of the old apparatuses is a necessary precondition for the accomplishment of this task.

27. We have noted that the victory of the Trotskyists over the opportunists in the International Committee of the Fourth International (ICFI) reflected a shift in the balance of political forces. It was not just that our arguments were true and theirs were false. That of course is absolutely true. However, the Open Letter of 1953 was also absolutely correct and so were the documents of the British Trotskyists against the SWP reunification in 1963. But we were not able to defeat the opportunists in these struggles. The victory of the Trotskyists in the split of 1985–86 and the strengthening of our tendency in the subsequent 25 years is an expression of the changed relationship between the ICFI and the working class. Initially this changed relationship expressed itself in the collapse of the old organisations and was not immediately reflected in the growth of our movement. But this period has come to a close and the founding of our parties on the clarification of our history, program and principles signals the opening of a new one. It is not simply that we have been able to clearly formulate our program and clarify long outstanding issues. The fact that we are able to do this has itself an objective significance. The owl of wisdom flies at dusk, that is, when one period is ending and a new one beginning.

28. The change in the relationship of our movement to the working class

is the outcome, in the final analysis, of vast changes in the economic base of society over the past quarter of a century. The old organisations of the workers’ movement based themselves on a program of national reform and, to the extent that such a program remained viable, were able to subordinate the working class to the capitalist order. But the globalisation of production has shattered this program. The trade union apparatuses and the labour and social democratic parties function as open agents of the capitalist class for the suppression of the working class. We began to deepen our analysis of this process in the aftermath of the collapse of the Soviet Union. That event posed the question: if the greatest labour bureaucracy in the world has disintegrated, what are the implications for all the others? Our assessment of their role brought a hue and cry of outrage from the so-called “lefts” about how the Socialist Equality Party was renouncing the unions and what a crime we were committing against the working class, socialism and everything that is holy, by refusing to advocate a preference vote for the Australian Labor Party in elections. Our analysis has been completely vindicated. Lenin once said that the value of every crisis is that it strips away the superficial features of a given phenomenon and reveals its essential characteristics. The crisis in the US, to name just one example, has certainly revealed the essential character of the United Auto Workers union as it suppresses the working class and takes its place on the executive boards of the auto companies.

29. Most importantly, the past quarter century has made clear the essential role of all the Pabloite tendencies and their offshoots, and the historical significance of the founding of the ICFI in 1953 and its unrelenting struggle against opportunism in the subsequent period. All of the one-time “left” tendencies are now seeking to organise a regroupment through which to enter the framework of official bourgeois politics. In some cases, most notably Brazil and Italy, they have already done so. This perspective is spelled out most clearly in the documents for the 16<sup>th</sup> world congress of the Pabloites to be held next month. At the same time last year, the Pabloite section in France, the LCR, was dissolved into the anti-capitalist party, the NPA. Now this perspective is being developed more broadly.

30. As soon as one begins to read their documents one is struck by their unabashed nationalist outlook. In the past one had to uncover the essentially nationalist outlook of Pabloism by removing the veneer of seemingly orthodox phrases. Now they openly proclaim it. In a document titled “Our International”, they write: “[O]ne can only build organisations which can fight for socialist revolution by rooting oneself in each national context, and in drawing on the best traditions of all the currents of the local workers movement.” And in the next sentence: “It also means participating in, and learning from, the main revolutionary experiences of this century: Castr[o]ism, Maoism, Sandinismo, revolutionary populism, liberation theology, and others.”

31. They set out their perspective as the reorganisation and reconstruction of an anti-capitalist workers’ movement through the building of broad anti-capitalist parties. How broad is indicated both by the role played by different sections of the Pabloite movement and the perspectives set out in the main congress document. “The common goal, via different paths, is that of broad anti-capitalist parties. It is not a question of taking up the old formulas of regroupment or revolutionary currents alone. The ambition is to bring together forces beyond simply revolutionary ones,” it states.

32. In the course of this process, they write, the question of a new International will be posed, but it will not be the Fourth International, which does not have the legitimacy to represent itself as the new International that is needed. How will such an International be built? “We act and we will continue to act,” the document explains, “so that it is not posed in terms of ideological or historical choices, which are likely to lead to splits and divisions.” So who is going to take part? This new International must bring together currencies of various origins:

“Trotskyists of different kinds, libertarians, revolutionary syndicalists, revolutionary nationalists, left reformists.” The document insists that the Fourth International should “play the role of a ‘facilitator’ of convergences in the perspective of new international groupings”.

33. The political meaning of all this is very clear. As the Pabloites’ document notes, from 1992 onward, that is, following the collapse of the Soviet Union, they proceeded with the triptych “new period, new program, new party”. The past period has seen the decay, disintegration and collapse of all the parties and organisations upon which the bourgeoisie has directly relied to block the working class in the struggle for political power. New mechanisms have to be constructed and this is the program of the Pabloites. Cliff Slaughter, when he was a Marxist, made the point that in the next period of revolutionary struggle the bourgeoisie would rely directly upon the revisionist organisations that had broken from the Fourth International. That prediction is being played out today.

34. The documents presented here for adoption are the basis on which we will go forward to build our international movement, the ICFI, as the world party of socialist revolution, creating, to use Trotsky’s words, “a single international proletarian organisation of revolutionary action having one world centre and one world political orientation”. These documents provide the basis for building the SEP in Australia and establishing new sections of our international movement. They provide the foundation, the framework, the scaffolding for the building of our movement in the struggles now unfolding. I commend them to you for adoption by this founding congress.



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