

# Introductory remarks: On the capitalist crisis and the economic “recovery”

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*This report was delivered by Socialist Equality Party National Secretary Joseph Kishore to introduce the SEP/WSWS Emergency Conference on the Social Crisis & War and the first resolution, “For an emergency jobs program! For the nationalization of the banks and the redistribution of wealth!”*

The SEP/WSWS Emergency Conference on the Social Crisis & War has been called under conditions of a mounting crisis of the world capitalist system. Despite talk of a “recovery”, the crisis that erupted in September 2008, one and a half years ago, remains very much with us today. Indeed, we have now entered a new stage, and with this new stage comes a growing attack on the working class and, at the same time, rising anger and opposition.

We have a critical task before us in the coming two days. Our aim is to discuss a series of resolutions on the pressing issues that face the working class in the United States and internationally—a deepening social crisis, the scourge of mass unemployment, the attack on health care, pensions, and education, the persistence of brutal wars and the looming danger of a much broader conflict with truly disastrous implications for humanity.

Listening to the media one might get the impression that everything is looking up, that we are in the midst of a fantastic economic recovery. In its latest issue, *Newsweek* magazine declares, “America’s back.” “The Remarkable Talk of our Economic Turnaround,” is the underline.

In words that could well have been uttered in 1930—after the collapse of the stock market in 1929 and prior to the full onset of the Great Depression—*Newsweek* declares, “The long-term decline of the U.S. economy has been greatly exaggerated. America is coming back stronger, better, and faster than nearly anyone expected—and faster than most of its international rivals.”

*New York Times* economics writer Floyd Norris asks in a recent column, “Why so glum?”, arguing that the signs of an economic resurgence are many. Another column in the *Times* by David Brooks, headlined “Relax, We’ll be Fine,” notes that 60 percent of Americans think the country is headed in the wrong direction. “There are plenty of reasons to be gloomy,” he writes, but says that his column instead is a “luscious orgy of optimism.” “Despite all the problems, America’s future is exceedingly bright,” Brooks declares. This “optimism” is more like fantasy. In the course of the column, Brooks makes the absurd claim that during the past decade, 60 percent of Americans made more than \$100,000 for at least one year.

How do we square these claims of recovery with the reality that we all see on a daily basis? How many in this room are seized by Brooks’ luscious orgy of optimism? Millions of people experience on a daily basis the consequences of mass unemployment, declining wages, the destruction of schools, the attack on benefits, a terrible uncertainty over the future. On top of this, war continues without end, despite overwhelming opposition in the US and internationally. Under Obama, there are now more US troops abroad than at the height of Bush’s surge in

2007, and the US is in the midst of a bloody offensive in Afghanistan.

Behind these two conflicting interpretations of reality are two different and irreconcilable social interests.

For some, there are good reasons to be excited. Reports have come in this past week of soaring bank profits. Bank of America posted profits of \$3.2 billion in the first quarter of this year, thanks largely to surging revenue from its new investment subsidiary, Merrill Lynch, which itself made \$3.2 billion largely by trading in global stock markets. In other words, Bank of America, the recipient of billions in bailout money, has been restored to life through stock market speculation.

One sees a similar story at JPMorgan Chase, which pulled in \$3.3 billion in the first quarter, a 55 percent increase over last year. Again, most of these profits were made by trading in the market.

If you had money—and the banks had a lot of money because they were given it virtually free by the Obama administration—and you invested it in the market over the past year, there would be much to celebrate. The top 25 hedge fund managers in the US took home between them more than \$25 billion—that is, more than a billion a piece on average. They did so not by producing anything of value, but through speculation.

The growth of the markets, however, far from heralding a revival of living conditions for ordinary people, is premised on an immense intensification of exploitation. The rise in share values represents a bet, a wager that the corporations will be able to return to profitability through massive cost-cutting, increased productivity, reduced wages, and the elimination of health care benefits thanks to Obama’s health care “reform.”

It is notable that at the end of his article, “Why so Glum?” Floyd Norris compares the present situation to the early 1980s. He argues that just as at that time, the economy is poised for a recovery. Of course, for the working class the 1980s, the period of the Reagan administration, was one of unrelenting attacks. The collapse of wages and the destruction of jobs carried out during that decade had permanent consequences. It was also the beginning of an immense growth in the power of the financial sector in the United States, coinciding with an extended period of deindustrialization that has devastated cities such as Detroit.

A similar assault is being prepared now, though on a much higher level. The ruling class is implementing a catastrophic lowering in the living standards of the working class.

As the resolution on the international unity of the working class points out, everywhere around the world the call now is for austerity, for reduced consumption and wages, for an end to so-called “profligacy.” Workers have been living beyond their means, it is said; the benefits they have won in the past are simply unaffordable. In Greece, Portugal and Spain, Germany and Britain, Australia and Japan, Sri Lanka and India—budget cutting is on the order of the day.

Here in the US, the watchwords coming from the media and political establishment all focus on austerity and cost cutting. This is the central theme of Obama’s health care overhaul, that reactionary piece of

legislation fraudulently packaged as reform. On appointing several right-wing cost-cutters to a bipartisan deficit panel, the president insisted: "For far too long, Washington has avoided the tough choices necessary to solve our fiscal problems." The "tough choices,"—i.e., significant cuts in Social Security, Medicare and Medicaid.

A military strategy group recently declared that "constraining entitlements growth" was a key issue of national security.

In a recent piece, *New York Times* columnist and professional blowhard Thomas Friedman put things more crudely: "We've just had our 70 fat years in America...And in these past 70 years, leadership has largely been about giving things away. Now it feels like we are entering a new era, where the great task of government and of leadership is going to be about taking things away from people."

While Mr. Friedman may have been spending the past several decades getting fat, the experience for the working class has been quite different. Nevertheless, the social crisis faced by millions of workers is set to get much worse, as the full burden of the economic crisis and the bank bailouts is placed on their shoulders.

Already, the situation is extremely dire. Officially, unemployment is at 9.7 percent, but in reality it is much higher. Some 44 percent of the unemployed—or more than 6.5 million people—have been unemployed for more than six months. This is the highest rate since the Great Depression. In some areas of the country, economic activity is virtually non-existent. In Detroit, real unemployment is about 50 percent.

In states and cities throughout the country, schools are being shut down, teachers and government workers forced to accept deep cuts in wages and benefits, along with mass layoffs.

To cite just a few of the cuts that have been implemented and are being planned, drawn somewhat at random:

In Kansas City, the school district recently voted to close nearly half of its 61 schools, laying off 300 teachers. The Missouri Senate this past week cut \$506 million from a proposed budget, largely through cuts in K-12 and higher education.

In Montgomery, Alabama, public school boards voted this month to lay off 600 employees, including 415 teachers, in the first phase of staff reductions.

In the suburbs of Chicago, a school board this past week approved the elimination of 1,000 workers, including 700 teachers, to save \$44 million. Illinois is planning school budget cuts of up to 17 percent statewide to save \$1.3 billion.

The state of California has passed a series of crippling budget cuts attacking the most basic social programs over the past two years, and is planning more. California school districts last month sent out preliminary layoff notices to 22,000 teachers and administrators.

Here in Detroit, the Mayor David Bing and public schools Emergency Financial Manager Robert Bobb are collaborating to shut down dozens more schools and cut off services to broad sections of the city. Bing is demanding further cuts in pay for city workers, along with more job cuts.

But we are told not to be so glum. Let optimism reign.

At the same time, none of the conditions that created the meltdown of September 2008 have been resolved. Speculation is again on the rise. The immense concentration of wealth in the hands of the financial aristocracy, combined with the long-term collapse of industry, has gotten more extreme. Global imbalances and national tensions have deepened. The crisis in Europe threatens to turn into another credit meltdown, this one involving state debt.

The next several months will bring with it, at best, a continued erosion of working class living standards, and at worst another financial panic that will make the crisis of September 2008 pale in comparison.

This conference has been called in response to the social crisis and war, and one theme that I hope will emerge is the essential connection between the two. The same interests that determine policy in the United States also

determine its foreign policy.

In response to the economic crisis, the American corporate elite is seeking, on the one hand, to force the working class in the US to pay, and, on the other hand, to offshore the burden of the crisis on its rivals.

We'll have more to say on this question during discussion of the resolution on war, but I would like to just note here that the Obama administration, far from ending war, has in fact expanded it. It is issuing new threats against Iran. The US relationship with China is fraught with tensions that threaten to devolve into trade conflicts and, ultimately, military conflict. At the same time, the sovereign debt crisis that is raging in Europe has immensely intensified internal conflicts within that continent, tensions that in the 20<sup>th</sup> century helped produce two world wars of devastating brutality.

The situation is, indeed, an emergency. How will the working class respond? What is the solution? If the experience of the Obama administration has demonstrated one thing, it is that no change is possible through the existing political system. On every element of policy—from the expansion of war, to the bank bailouts, to the attack on public education and health care, to the refusal to institute any jobs program to address the unemployment crisis—Obama has defended the interests of the American ruling class.

In these resolutions, we argue that the only alternative to the capitalist scenario—which involves the destruction of the living conditions of the working class and the inevitability of war—is the socialist solution—the transformation of world economy to meet social need and not private profit.

The political situation is shifting. We have, indeed, a great optimism, though it is very different from the luscious optimism of Mr. Brooks. We have a great optimism in the fighting strength of the working class.

There are already signs of growing opposition in the working class internationally. In recent months, there have been mass strikes and demonstrations in Europe. Here in the US, protests have erupted over the attack on public education. Seething anger is evident in the popular outrage following the West Virginia mine disaster. Our own campaign against utility shutoffs in the Detroit area has been met with a powerful response among a section of the working class that is experiencing the devastating consequences of the crisis, which is compounding decades of economic decline and deindustrialization.

For those of you who have not been able to look at the WWS this morning, I am sure you will all be glad to learn that yesterday a court dismissed attempts to find Sylvia Young guilty of neglect. It was an important victory, demonstrating the completely fraudulent character of the campaign against her. However, as Sylvia stated in an interview posted on the WWS this morning, "Now the fight is just starting."

And it is just starting. From inner city Detroit and the school rooms of Ypsilanti, to the coal mines of West Virginia; from the United States to Greece, China, and Australia, Sri Lanka and India. All over the world the working class is seeking to fight. The critical need is for these struggles to be unified and directed at the cause of the crisis facing workers throughout the world—the capitalist system.

What is needed above all is a political program and perspective, an independent leadership of the working class. This is the role of the Socialist Equality Party and of this conference. No one will provide this leadership but ourselves. The trade unions have thoroughly integrated themselves into the corporate structure. The vast array of middle class groups are compromised by the thousands of strands that tie them to the Democratic Party and the liberal establishment. In its program, perspective and history, the SEP represents the objective interests of the working class.

In the next two days we will discuss a series of resolutions that address some of the basic programmatic questions facing the working class. Out of this conference, we must go forward in the fight to provide a political

perspective and leadership for the working class.

And with that I would like to open up discussion on the first resolution.



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