

Public meetings in Australia discuss new stage of global crisis

Our correspondents
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The Socialist Equality Party held public meetings in Sydney, Melbourne and Newcastle late last month on the “Class struggle in Greece: The second stage of the global financial crisis”. University students and working people participated in the meetings, which were addressed by Nick Beams, the national secretary of the SEP (Australia) and a member of the WSWs international editorial board.

Beams explained that the financial turmoil of recent weeks, which had begun with revelations about the extent of Greece’s debt and extended to the entire European banking system, marked “a deepening and intensification of the global financial crisis that began in 2007-2008”.

Beams emphasised the historic magnitude of the events of the past few weeks. “They underscore the analysis made by the WSWs that this crisis was not some temporary downturn that would be quickly overcome by a combination of action on the part of central banks and governments, but was the start of a breakdown of the world capitalist economy—a breakdown on the scale of that began in 1914 with the outbreak of World War 1 and which was to lead to three decades of revolution, counter-revolution, fascism, depression and, once again, war.”

The speaker said the turmoil on world markets had “also brought into even sharper focus the political assessment made by the WSWs: that the international working class is now entering a period of enormous conflicts in which it will be confronted with the struggle for political power. In other words, in the next historical period, the alternative of revolution will be posed.”

Beams cited an interview given by the head of the European Central Bank, Jean-Claude Trichet to the German magazine *Der Spiegel* on May 15, in which Trichet said that since September 2008, European governments had been “facing the most difficult situation since the Second World War—perhaps even since the First World War”.

Later in the interview, Trichet declared that governments had been forced to intervene because “private institutions and markets were about to collapse completely”. But now the credit-worthiness of some governments was at risk. “We see the signature of some governments put into question,” Trichet said. “This is a problem for almost all industrialised countries.”

Beams emphasised that Trichet and other authorities, like the managing director of the International Monetary Fund (IMF), Dominique Strauss-Kahn, were insisting that there must be severe budget cutbacks internationally, not just for several years, but for the foreseeable future. Beams said “getting on top of the sovereign debt crisis” entailed “nothing

less than the drastic reduction of the social position of the working class through a program of austerity measures involving savage and ongoing cuts in government spending, reductions in pensions and health care provisions, cuts in wages and so on.”

Beams noted that while the bailout measures, taken to prevent the complete collapse of the global financial system, appeared somewhat complicated, in essence the procedure was very simple. “Governments and central banks stepped into the crisis to take off the books of the privately-owned banks the hundreds of billions—more than that—the trillions of dollars of worthless assets that they held.” This emergency response revealed the truth of Marx and Engels’s analysis in the *Communist Manifesto* that the executive of the modern state was “but a committee for managing the common affairs of the whole bourgeoisie”.

The speaker examined the massive expansion of credit over the past 30 years, which had far exceeded the wealth or surplus value that had actually been created. He displayed a graph that traced the relationship between global financial assets and global GDP. In just a quarter century, financial assets had gone from just over 100 percent of GDP to more than 350 percent. “Or, to put it another way,” Beams continued, “in the period 1980 to 2007 financial assets grew around four times faster than the real wealth upon which these assets are, in the final analysis, a claim.”

Beams pointed out that the bailout of the banks had not resolved the underlying problem. “It simply means that the capitalist state has direct responsibility for putting value back into worthless financial assets. That is the essential meaning of the austerity programs now being initiated by governments, not just in Greece, but around the world. The working class must now be made to pay for the bailout of the financial system.”

The speaker warned that, faced with the prospect of growing resistance, the capitalist class would necessarily turn to ever more repressive and dictatorial forms of rule. “It is significant in this regard that there has been not a word of condemnation of the murderous activities of the Thai army on the streets of Bangkok as they employed snipers to gun down protestors ... The silence is the result of the fact that every section of the bourgeoisie recognises that Thailand is not an aberration, but merely a warning of the kind of situation that they will all face in the not too distant future.”

Beams reviewed the historic background to the global crisis, including the breakdown of the post-World War II capitalist equilibrium that had been based on the economic and military hegemony of the United States. The conflicts that had broken out between Germany and France over the Greek bailout package showed the re-eruption of the irresolvable

contradictions of world capitalism that had led to two world wars.

Turning to the situation in Australia, Beams pointed out how quickly the financial turmoil had shattered the Rudd government's budget night claims that the local economy had "defied global economic gravity". He explained the source of the extreme hostility displayed by the major mining companies to the government's so-called Resources Super Profits Tax. "They know that the market for their resources—above all China—could go from boom to bust overnight, leading to a collapse of minerals prices and a ferocious struggle between the major mining companies. Furthermore they are well aware that the financial markets on which they depend for huge loans to finance their mining operations are extremely volatile."

Commenting on the political role played by the unions and the pseudo-left in politically disarming the working class Beams said: "We've seen massive protests against the austerity measures of Greece's PASOK government but the issue will not be solved by a general strike every month. Such actions, without a perspective for the conquest of political power by the working class, cannot prevent the social assault."

"In Greece a clear political mechanism operates to impose the attacks on the working class. PASOK imposes the cuts on behalf of the international banks and finance capital, and the unions issue protests. These organisations are intimately connected with PASOK. Meanwhile, the pseudo left and ex-radical organisations tell workers that they cannot operate outside PASOK and the unions."

Beams concluded by drawing the broader political implications of the economic meltdown. "Twenty years ago, the situation looked very different, at least to short-sighted observers. In the wake of the collapse of the Soviet Union, the air was filled with claims that Marxism and its historical materialist analysis of the objective contradictions of capitalism and the necessity for socialist revolution had been consigned to the rubbish bin. Capitalism was flushed with success. But rather than heralding a new period of expansion and progress, it turned out to be more like the flush that appears on the cheeks of a tuberculosis victim just as they are about to enter their death phase."

To help prepare for the new period of wars and revolutions, he urged everyone in the audiences to join the campaigns for the one-day conferences that the SEP has called on July 4 and July 11 in Sydney and Melbourne on "The world economic crisis, the failure of capitalism and the case for socialism."

Many questions followed the report at each public meeting. They covered a wide range of issues, including the role of Russia and China in the European crisis, the continued existence of derivatives trading, whether the Greek cuts would lead to recession, and why the US backed the EU rescue package. Others asked about the irrationality of the precipitous rise of financialisation and why no economics experts had been alerted by it.

After the Sydney meeting, held in the working class suburb of Liverpool, Michelle, a childcare student, said Nick Beams has given her an historical insight into the global economic crisis, and how its impact was being imposed on the backs of ordinary people. "There are obviously major problems now in Europe. I have a friend in Greece, who told me that numbers of universities are now to be closed down, and some courses are not available anymore."

"The most surprising thing is that people in Australia have been led to

believe that they are not affected. But then, unless you read the *World Socialist Web Site*, you don't know that the analysis is available. I have been having discussions with a couple of my friends about how the people who are most crucial to keeping society going—like teachers, nurses, childcare workers and doctors—are paid so little and are losing their jobs. Cutting these areas further will be awful."

An international student from Singapore spoke of the importance of understanding the "historical roots" of contemporary developments. Asked what he found most interesting about the meeting, he replied: "I guess it's the global scale of the crisis and how the 'solutions' seem to be something that would trigger another crisis in the future."

At the Melbourne meeting, held at Victoria University's Footscray Park campus, Majok, an accounting student, originally from Sudan, commented: "We gained a clear understanding of the global financial crisis, how it started in 2007 and we saw the graph showing the difference between the global financial assets and real wealth through 1980 to now."

"Sovereign debt is real. The working class needs to stand together to confront the next stage of the crisis. The bailout of Greece is an indicator that pressure is being put on the working class once again. The austerity measures imposed by the Greek government will cut jobs and services such as welfare and health care in order to clean up the crisis. Every government is watching Greece and other European countries, and getting themselves prepared against any mass protest being put up by the workers."

Kelly, an International Students for Social Equality (ISSE) member, said Nick Beams's report was "very interesting ... I think a most important point was the tense relationship between France and Germany. He said this would lead to further conflict. I was very concerned about this. I think he pointed very centrally to the disruptions between European countries. These disruptions will lead to huge conflicts."

"Another important point was how the financial system developed from the 1990s on. I found out about the huge increase in financial assets—they grew by 350 percent—and the uncontrolled way this emerged. I read on the WWS about the situation in Greece, about the cuts the government made. It is scary how bad it is. It is very important to do something about this, and not just to protest."

At the meeting in Newcastle, Joshua, a member of the ISSE, said Beams's report had "revealed the period we have entered—one of capitalist breakdown and revolutionary struggle. He explained that financial assets had grown enormously outstripping GDP and was laying claim to a smaller pool of surplus value or real wealth produced by the working class."

"The graph showing this development was startling. It means that the second stage of the crisis is taking the form of a drive by the ruling class to restructure and tear up the social conditions of the working class. This will mean the eruption of the class struggle. The other lesson is that the old leaderships, such as the unions in Greece, are attempting to contain the struggle and prepare its defeat. The working class must break with these organisations and take up the fight for a socialist program."

Max, an ISSE member at Newcastle University, said: "My reaction was

shock and amazement at what has developed. Nick's report brought out the urgency of the situation facing millions of working people. Governments, having bailed out the banks, are in danger themselves of going bankrupt. The austerity measures demanded cannot be imposed peacefully and that means democratic rights and peoples' freedom will go big time.

"It is important to understand that this is not just because of individuals but arises out of the very processes of the capitalist system itself. As Nick warned, all the old issues that led to world war are rising again in Europe. Workers must fight this with their own independent program to get rid of the profit system."



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