

Greetings and report from the US SEP to conferences in Australia

American capitalism's decline and the tasks of the working class

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A leading member of the Socialist Equality Party in the United States, national committee member Jerry White, delivered the following greetings and report to conferences on "The World Economic Crisis, the Failure of Capitalism and the Case for Socialism," convened by the SEP and the International Students for Social Equality in Sydney, July 4, and Melbourne, July 11, 2010.

1. On behalf of the Socialist Equality Party in the United States, I'd like to bring the warmest revolutionary greetings to your conference. The events of the past two weeks in Australia demonstrate that we are living through a period of unprecedented and sharp political upheavals in every country. The task of this meeting is to analyze the present stage of the world capitalist crisis, grasp its implications and prepare the most advanced section of the working class for a new period of mass struggles.

2. It has been nearly three years since the unraveling of the subprime mortgage bubble in the US, which prompted the collapse of Wall Street firm Lehman Brothers in the summer of 2008 and ushered in the worst breakdown of the world capitalist system since the Great Depression of the 1930s.

At the time, the Socialist Equality Party in the US warned that "economic restabilization on a capitalist basis could be achieved only through ... a catastrophic lowering of the living standards of the working class..." At the same time, we insisted "the improvisational responses of the American ruling class to the economic upheaval will solve nothing."

3. Despite the sincere sense of relief in the world's population over the departure of the Bush administration, and the hopes and illusions generated by the media and the middle class "left" groups over Barack Obama's election, we insisted that the new occupant in the White House would seek a "solution to the crisis that does not touch the foundations of capitalism and the interests of the financial elite".

This prognosis has been vindicated in spades. Since coming to office, Obama has been an unabashed servant of the Wall Street bankers and speculators, and has escalated the attack on the American working class carried out by his Republican predecessor. No one has been held accountable for the criminal and semi-criminal activity of the financial elite that brought the US and the world economy to the brink of collapse. The only exception was Bernie Madoff, whose pyramid scheme cost money for some relatively prominent members of the ruling class.

4. In defiance of the sentiments of the vast majority of the American

people, Obama handed the keys to the US Treasury to the most powerful financial interests. Trillions in public resources were used to bail out the banks and assure the personal fortunes of billionaires and millionaires. Rather than checking the speculative activities of the banks, let alone restrict the massive salaries of its executives, Obama's "financial regulatory" measures strengthened the monopoly of the four largest banks—Bank of America, JPMorganChase, Wells Fargo and Citibank—and led to the resumption of the speculation casino. While millions suffer from unemployment, and owe more money on their homes than they could possibly get from selling them, the top bankers, executives and traders are once again rewarding themselves with multi-million salaries and bonuses.

After falling by 21 percent during 2008, the number of US households with at least \$1 million worth of bankable assets jumped by 15 percent in 2009 to reach 4.7 million. "It's been a recession where everyone took a hit, with the bottom taking a bigger hit," Timothy Smeeding, an economics professor at the University of Wisconsin, said. "The wealthy have bounced back," he added.

5. On the international front it has become clear, as we warned, that Obama was selected to put a new face on US imperialism, while escalating the criminal policies of the Bush administration. This includes the illegal occupations of Iraq and Afghanistan, ratcheting up threats against Iran and continuing the policies of torture, illegal renditions and secret prisons. In the face of popular resistance to the US occupation of Afghanistan and growing US military casualties, Obama has intensified the "good" war in Afghanistan—now the longest in US history—and extended it to Pakistan. At the same time he has continued to aid and abet the war crimes of Israel.

The forced resignation of General McChrystal last month was not the assertion of civilian authority over rogue elements in the military, as Obama's apologists have claimed, but a shake up in the Pentagon command aimed at increasing the bloody suppression of the Afghan people. It was accompanied by a campaign in the media, particularly the mouthpieces of American liberalism like the *New York Times*, complaining that limits on the use of air strikes to lessen Afghan civilian casualties had hamstrung US forces and led to an increase in US fatalities. The military brass wants the terms of engagement changed so it can use the maximum violence to crush the popular resistance to the US occupation.

General David Petraeus, the architect of the bloody US surge in Iraq, was chosen as McChrystal's replacement. In turn, Petraeus' position at Central Command is being filled by General James Mattis, a US marine

known as “Mad Dog” Mattis, who helped lead the invasions of Iraq and Afghanistan and commanded the bloody siege and destruction of Fallujah in 2004. In 2005, Mattis told a public forum: “When you go into Afghanistan, you got guys who slapped women around for five years because they didn’t wear a veil. You know, guys like that ain’t got no manhood left anyway. So it’s a hell of a lot of fun to shoot them.”

Increasingly, the “war with no end” has led to the demoralization of the military forces, growing casualties and popular opposition. This has created a crisis and bitter recriminations in the US and elsewhere, including here in Australia, where last week Defense Minister John Faulkner resigned amid reports of growing doubts about the war.

A defeat in Afghanistan cannot be countenanced by the US ruling establishment because it would fatally undermine its efforts to dominate energy-rich Central Asia; it would encourage competitors such as Russia and China in the region, and it would produce incalculable political consequences in the US. It should be remembered that the USSR was dissolved two years after military defeat in the same country.

6. In both economic and military policy, the Obama administration is striving to address the profound and historic decline in the world position of American capitalism and the rise of new economic and political rivals, particularly China. The US is not the hegemonic power that it was after World War II, when Europe and Japan lay in ruins, US industry dominated the globe and American banks financed the postwar restabilization of world capitalism, following a period of two world wars and the Great Depression.

On the contrary, the US is the world’s most indebted nation; its industrial base and physical infrastructure has been decimated over the past three decades. The economy is increasingly dominated by a ruling elite engaged in the most parasitic forms of financial speculation and the amassing of huge fortunes separated from production. This has resulted in one catastrophic financial bubble after another.

In the period of its heyday, US capitalism was identified with economic stability and corporations like General Motors, United States Steel, General Electric and other industrial giants. These corporations exported cars and other commodities around the world. Last year, General Motors, once the largest private employer in the world—second only to the Soviet government in the number of workers it employed—declared bankruptcy. Today, the major US exports are collateralized debt obligations, credit default swaps and financial catastrophe.

Perhaps the sharpest example of this historic decline is Detroit—once the symbol of US industrial might. In 1950, four out of five of the world’s cars were produced in the Motor City. Due to the mass struggles of auto workers, it boasted the highest rate of home ownership and living standards. Today, Detroit is one of the poorest big cities in the nation, littered with abandoned factories, burnt out homes and empty lots overgrown with weeds. The real unemployment rate in the city is 50 percent and each year hundreds of thousands of families are cut off of gas and electricity for non-payment. The city’s millionaire mayor is preparing to shutdown whole areas of the city deemed too poor to keep up fire, police, lighting, sewer and school services.

7. The American political system is controlled by a financial aristocracy, which funds both political parties and dictates policy. In Australia, the power of the transnational mining giants was demonstrated in their campaign to remove Rudd, and Gillard’s immediate back down on the Resource Super-Profits Tax. Nowhere is the subordination of the US

government and the Obama administration to the demands of the corporate elite demonstrated more clearly than in the unfolding catastrophe in the Gulf of Mexico.

The disaster, which erupted in April with the explosion on the Deepwater Horizon oil rig that killed 11 workers, was not a bolt from the blue. It was the inevitable result of the decades of deregulation, the handover to Big Oil of the responsibility to supposedly police itself, and the corporate control over both political parties.

8. The capitalist free market first sent gushers of toxic financial waste to all corners of the world. Now the profit system has sent forth a toxic mix of hundreds of millions of gallons of oil and chemical dispersants, which is throwing up tar balls and oil on the beaches and wetlands along the coast, destroying wildlife and wiping out the jobs of hundreds of people dependent on the area’s fishing and tourist industry. The Obama administration granted environmental waivers to BP and other oil giants, blocked legal rulings against deepwater offshore drilling and ignored the warnings of an impending disaster. Then it insisted that the cleanup and containment process be left in the hands of BP.

The White House worked out a deal to set up a \$20 billion escrow fund—to be paid over several years—which will hardly make a dent in the cost of compensating those affected, let alone the massive damage to the Gulf, which will, as the 1989 Exxon Valdez disaster demonstrated, leave an impact that will last for decades. Above all, the setting up of the escrow account was aimed at guaranteeing the financial profits and solvency of the company. “Investors in BP should know that there’s now an alternative to the litigation system in place,” Independent Claims Facility administrator Kenneth Feinberg told CNBC. “I think that’s a really helpful sign if you’re an investor.”

Earlier this month, the White House issued an order barring the public and the news media from coming within 20 meters of clean-up operations without permission from the Coast Guard. The aim of the order is to prevent the population from viewing the devastation wrought by the BP oil blowout or the miserable working conditions and health hazards of those hired by BP for clean up work. Journalists who “willfully” defy the White House order could be prosecuted as Class D felons and face up to five years in prison, plus a \$40,000 fine.

The connections of the Obama administration to BP and the Big Oil, read like those of the Labor Party and the mining interests, as detailed on the WSWs. Rachel Polish, a member of the US Coast Guard, who is serving as a public affairs specialist in the Deepwater Horizon response, is also employed by a public relations firm hired by BP. President Obama himself received \$77,051 from BP during his presidential campaign. His chief of staff, Rahm Emanuel, when he was still a member of the House of Representatives, lived rent-free for five years in the apartment of Stanley Greenberg, whose firm was heavily involved in a “re-branding” public relations campaign for BP.

Before she was appointed deputy assistant secretary for land and minerals management in 2009, Sylvia Baca was an executive with BP. Steven E. Koonin, appointed by Obama to fill the role of under secretary of energy and science at the US Department of Energy, previously served as chief scientist for BP.

9. This month we celebrated the 4th of July, a day that marks the struggle for American national independence against the British Empire. That revolution championed the ideals of democracy and equality that opened up a new era for mankind. It inspired the French Revolution, and issued a

Declaration of Independence that guaranteed the right of the population to overthrow any government that betrayed these principles.

America today is characterized by unprecedented levels of social inequality and the unchallenged power of a financial aristocracy that would make members of the French ancien régime blush. This is not compatible with traditional democratic forms. Governments cannot win popular approval for policies, whether it is war or making the working class pay for the bailout of the banks. To impose such policies, more and more authoritarian forms of rule are required. That is the meaning of the removal of Rudd and the decades-long decay of bourgeois democracy in the US.

The last century ended with the impeachment drive against President Bill Clinton and the new one began with the stolen presidential election of 2000, the exploitation of the still unexplained events of September 2001 and the lies used to launch the war in Iraq in 2003. The first decade of the 21st century concluded with a massive bailout of Wall Street, which was overwhelmingly opposed by the population, and the monumental fraud of the Obama campaign. The president and his financial and political backers sought to tap into the mass hatred of Bush, the opposition to war and hostility to the selling of the government to big business, only to have a president who is continuing and escalating the right-wing agenda of his Republican predecessor.

10. Underlying the rotting of democracy is the unprecedented levels of social polarization, which have continued in the year in a half since Obama took office. According to the latest Merrill Lynch-Capgemini “World Wealth Report”, the rebound of the stock market helped the world’s ranks of millionaires climb 17 percent to 10 million, while their collective wealth surged 19 percent to \$39 trillion, nearly recouping all of their losses from the financial crisis.

A report by the Center on Budget and Policy Priorities, based on the most current US tax figures filed in 2007—before the full impact of the economic crisis—showed that the share of after-tax income going to the top 1 percent hit its highest level (17.1 percent) since 1979. The share going to the middle one-fifth of Americans shrank to its lowest level during this period (14.1 percent). Between 1979 and 2007, average after-tax incomes for the top 1 percent rose by 281 percent after adjusting for inflation—an increase of \$973,100 per household—compared to increases of 25 percent (\$11,200 per household) for the middle fifth of households and 16 percent (\$2,400 per household) for the bottom fifth.

11. The news media and the various middle class pseudo-left parties consumed with identity and lifestyle politics hailed the election of America’s first African-American president as a “transformative moment,” which would “end decades of conservative rule.” In truth, the Obama administration was put in power to carry out attacks against the working class that a Republican president could never have achieved.

Six months into his presidency, in a July 27, 2009 Oval Office interview with *BusinessWeek*, the candidate of “change” spelled out his anti-working class agenda and dispelled any notion that he was hostile to business. “The last lunch that I had, I guess we had the CEOs of Xerox, AT&T, Honeywell, and Coke,” he stated. “We talked about the fact that, in the 1980s, when everybody was afraid Japan was going to eat our lunch, a lot of companies did a 180 in terms of quality improvement, efficiency, increasing productivity. There was a change in corporate culture that significantly boosted corporate productivity for a long time and helped create the boom of the ‘90s. What they pointed out was, there were a couple of sectors that were resistant to that: health care, education,

energy, and government.”

The “change in corporate culture” that helped create the boom of the 1990s was a war against the working class in the US. It began with the Chrysler bailout of 1979-80 and Reagan’s firing of the PATCO air traffic controllers. Then came the wave of violent union-busting that saw the dispatch of National Guard troops, the use of private gun thugs and the murder on the picket line of striking coal miners. With the assistance of the AFL-CIO and other trade unions—which in the name of labor-management collaboration and economic nationalism, suppressed every struggle by the working class—the American ruling elite was able to force through a drastic and permanent reduction in the living standards of the working class and a sharp increase in the exploitation of workers.

While praising this achievement, Obama still says there is work to be done. What are the areas he had in mind?

Health care “reform” was not about expanding coverage to the uninsured but slashing costs for US corporations, restricting access to medical procedures deemed too expensive for ordinary people, and gutting bedrock entitlement programs such as Medicare and Medicaid.

In education, far from ending Bush’s reactionary No Child Left Behind scheme and its punitive accountability measures, the Obama administration has stepped up the efforts to scapegoat teachers and privatize public education, including hailing the firing of teachers in Rhode Island.

What about energy policy? Well this can be seen in the continued deregulation of the energy giants, which led to the disaster in the Gulf and the deaths of coal miners at Massey Energy’s mine in West Virginia and other unsafe coal mines.

Finally there is government “reform.” This can be seen in the virtual bankruptcy of state and local governments and the massive layoffs, privatization and cuts in social services that have occurred. As many as 1 million public employees, including teachers, firefighters and social workers, face job cuts in the coming weeks. As the new fiscal year for 2011 begins, states are slashing billions from public schools, health care for the poor and elderly, and other vital programs. So severe have been the cuts that whole series of cities and towns canceled their fireworks celebrations for the Fourth of July.

At the same time, Congress adjourned for the week-long July Fourth holiday without extending federal unemployment benefits—which provide a paltry \$335 a week on average, and far lower in many states. Some 3.3 million jobless workers will have no income by the end of the month.

12. While millions are facing catastrophic conditions, the American media and the Obama White House have been hailing the so-called economic recovery, basing themselves on rising corporate profits—which jumped to their highest level ever in the first quarter—and the rebound of the stock market. This only underscores the deeply divided character of American society.

Two-and-a-half years after the official start of the recession in December 2007, there are now 15.2 million workers who are unemployed and 25.8 million who are either unemployed or underemployed. Some 6.8 million have been unemployed for more than 6 months. The conditions of young workers are most stark. According to a recently released report by the Economic Policy Institute (EPI), unemployment levels for new college graduates and non-degreed youth are nearly double their 2007 rates,

suggesting that a college degree no longer ensures financial stability for graduates in the US.

In 2007, 5.4 percent of college graduates under the age of 25 were unemployed; the official rate is now 9 percent. The rate of unemployed high school graduates jumped from 12 percent in 2007 to 22.5 percent. "For the class of 2010," the report states, "it will be one of the worst years to graduate high school or college since at least 1983 and possibly the worst since the end of World War II."

After decades in which young people and workers were told that a college degree was the only way to escape a future of low wages and economic insecurity, a new campaign has emerged in the media declaring that not everybody is cut out for college. This happens to coincide with state budget cuts that are restricting the number of students in state universities.

13. These are the conditions in the center of world capitalism nearly two decades since the collapse of the Soviet Union and all the official declarations that, with the triumph of the profit system, mankind had reached the final stage of its development.

It has long been argued in official and academic circles that America is immune to socialism. Entire careers of "left" academics have been made on proving the supposed permanent state of American "exceptionalism." The argument was that the American working class was too divided along racial and national lines, was too satisfied with big houses, big cars and other consumer items to consider socialism and revolution.

Such viewpoints have always been shallow and impressionistic. They ignore the record of explosive and violent struggle that characterized the majority of American history, from the American War of Independence to the second revolution—the Civil War—that destroyed slavery and carried out the greatest expropriation of private property to that point in history; to the social upheavals of the 19th and 20th century to win the right to organize unions, abolish child labor, and win civil rights against Jim Crow apartheid. In these battles the working class repeatedly carried out the most determined battles against the violent resistance of the employers and the state.

If one were to talk about American exceptionalism, one would have to point to the past two decades as an "exceptional" period in US history, in so far as there was an absence of explosive class struggles. The chief reason for this was the role played by the trade unions, whose main function over the past three decades has been to suppress every struggle by the working class against the corporate-government onslaught on the jobs, living standards and social position of the American working class.

Over the last 30 years these organizations have transformed into direct adjuncts of the corporations, whose financial interests are diametrically opposed to those of the workers they allegedly represent and from whom they collect tribute, in the form of union dues. In exchange for the destruction of its members' wages and conditions—including reducing the wages of new hires to near poverty level—the United Auto Workers (UAW) was given millions in shares and a substantial ownership stake in Chrysler, GM and Ford.

This was the inevitable outcome of the nationalist and pro-capitalist policies of the UAW and other unions. Although the mass industrial unions had been built by socialists and left-wing militants in the 1930s, by the late 1940s the leaders of the CIO, such as Walter Reuther, conducted an anti-communist purge and consolidated the unions on the basis of

support for American capitalism and the Democratic Party. Reuther claimed that workers did not need a labor party because America was not divided along sharp class lines as in Europe. Basing himself on the dubious hope that American capitalism would dominate the world economy forever, Reuther struck a bargain called the Treaty of Detroit in 1950. In exchange for guaranteed annual wage increases and other improvements, the UAW would not impinge on management's property rights and prerogatives, and would abandon any struggle for industrial democracy or broad social reforms.

By the late 1970s and 1980s, this perspective brought the working class to a dead-end as American capitalism was challenged throughout the world and in its home market by the rebuilt Asian and European economies. In response, the UAW and other unions abandoned any resistance to the attacks by the employers. In the name of making US corporations more competitive, they suppressed the class struggle and collaborated in the destruction of the living standards of the working class. In 2009, there were only five strikes and lockouts involving 1,000 or more workers, the lowest number since the Bureau of Labor Statistics began recording them. By contrast there were an average of 289 major strikes annually in the 1970s, with 424 such strikes in 1974.

14. Notwithstanding the betrayals of the trade union apparatus, in the final analysis, the greatest bulwark against socialism in the US was the vast accumulated wealth of American capitalism, which allowed the bourgeoisie to carry out a policy of class compromise from the 1940s to the beginning of the 1980s.

And to a great extent, even after this period, as workers suffered a steady erosion in their living standards, the full impact was still hidden through various mechanisms, such as working extra hours, women entering the workforce and the explosion of credit card and household debt. None of these coping mechanisms are working any longer.

Like it was during the 1930s, capitalism is increasingly becoming a dirty word and discredited. First the profit system unleashed an unprecedented financial disaster, spreading its destruction to Europe and around the world; now it has produced the worst ecological disaster in US and possibly world history, with incalculable consequences for the planet. Universally governments—which poured trillions into the coffers of the world's banks—are demanding austerity, saying there is no money for schools, old-age pensions, decent wages, affordable housing and health care.

Even in the US, where anti-communism has been a semi-official religion of the political establishment, the media, academia and the trade unions, polls show increasing percentages of the population favoring "socialism" over capitalism. Forty-three percent of young people under 30 regarded socialism more favorably, according to a recent Pew Research poll.

15. What is our prognosis? We anticipate that the profound changes—including the effort to make the working class pay for the decline of American capitalism—will provoke massive upheavals.

These struggles can find no genuine expression through the trade unions or the capitalist parties. New forms of independent working class struggle will emerge in America, just as the Chinese workers have elected their own leaders and organized their struggles in opposition to the state-controlled All Chinese Federation of Trade Unions. The AFL-CIO and the Australian trade unions are not fundamentally different from the Stalinist trade unions in China.

The coming struggles, if they are not to be suppressed, must be organized against the two capitalist parties and all those who tried to keep the working class tied to the capitalist system. This includes the middle class “left” organizations, such as the International Socialist Organization, that insist that the trade unions are the only legitimate representatives of the working class and promote the lie that Obama and the Democrats can be pressured into ending war and siding with the working class against big business.

16. The Socialist Equality Party ran in the 2008 election and told the working class the truth about Obama. We were confident that all the talk about “audacity of hope” and “uniting Wall Street and Main Street” would be proven a fraud and that the working class would be compelled into political struggle against this administration. In our campaigns against utility shutoffs in Detroit we have educated workers about the nature of the profit system and exposed both big business political parties. The defense of the most basic rights of working people—to a secure and well paying job, to health care, to education, decent housing, lights, heat in the winter and other necessities—requires that the working class assert its own interests and initiate a political struggle to take power in its own hands.

This requires the building of a mass political movement of the working class, which takes as its point of departure the world character of the capitalist crisis and the class struggle. In the US, as much as in Australia, it must reject all the efforts to claim that the problem is immigrant workers and the lie that there is not enough room and resources on this planet for all to live decently. The central question is who controls society’s resources, in whose interests they are deployed and who will make those decisions. The capitalist system and the financial oligarchy have demonstrated that they cannot produce anything but disaster. The only alternative to this is the international unity of the working class and the struggle to reorganize economic life in the interests of humanity as a whole. That is our program in the US, Australia and internationally.



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