The global economic crisis and the political coup in Australia

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Socialist Equality Party (Australia) national secretary Nick Beams delivered the following opening 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. In light of the tumultuous events of the past two weeks, both internationally and here in Australia, the convening of these conferences could not be more timely. With the coup against Kevin Rudd and the decision of the newly-installed Gillard government to accede to the demands of the giant mining multinationals, the façade of parliamentary democracy has been torn open to reveal the real situation: the economic and political order is not shaped according to the will of the people through the exercise of their vote in democratic elections but determined by powerful corporate and financial interests, acting ruthlessly to impose their demands. Of course, all sorts of efforts are being made by the mass media and their pundits and commentators to, so to speak, close the curtains again, lest the population dwells too long on what has taken place and starts to draw political conclusions. In opposition to these attempts at cover-up, our task here is to penetrate more deeply into the events of the past days, and draw out their essential significance and implications for the future struggles of the working class. If we ignore or pass over what has gone on, we do so at our peril.

2. Let us recall the speed of political events. Just over two weeks ago, Labor MPs met for what they thought was to be the last meeting of the parliamentary caucus for the winter session of parliament. They were getting ready to go to an election with Rudd as the leader of the Labor Party. There was no challenge at the meeting, and none was even mooted. No one took the floor to criticise government policy. In fact, the present leader and deputy leader, Julia Gillard and Wayne Swan, were among the chief architects of the government's program. But within the next 24 hours—with the key events culminating in the space of just three hours on the evening of June 23—Rudd was deposed. It was the first time an elected Labor prime minister had been sacked before completing his first term, after leading his party to victory with one of the biggest swings against the Liberals in the post-war period.

3. The immediate origins in the coup lie in the unprecedented campaign launched by the transnational mining companies—BHP Billiton, Rio Tinto and Xstrata, along with smaller mining firms—against the introduction of the resource super profits tax announced by the government on May 2. After a multi-million dollar advertising campaign, the mining companies were able to secure the ousting of a prime minister. The crucial linchpin in the operation was the factional leaders, party warlords and union bureaucrats who organised the coup behind the backs of the cabinet, the caucus and the Labor Party at large, not to speak of the electors. The pretext was a series of opinion polls, which it was claimed showed that the Labor Party would lose the election.

4. The ousting of Rudd has sparked considerable concern among wide layers of people because they sense, correctly, that it has pointed to some deeply disturbing realities: that elections, the paraphernalia of parliamentary democracy, voting and so on, really count for nothing and that behind the façade of parliamentary democracy political outcomes are controlled and manipulated by a handful of people. There was, in these events, a whiff of dictatorship. If Rudd could so easily be deposed by a Labor Party cabal operating at the behest of giant corporate, media and financial interests without a word of opposition from within the Labor Party, including from Rudd himself, then what else could happen? If, for example, it was decided that parliament itself should be suspended in the national interest, then would the Labor MPs and leaders be any less compliant? The events of the past three weeks are a graphic reminder of the Marxist theory of the state which explains that ultimately political power is not based on parliament and democratic control but derives from the capitalist state, which consists, in the final analysis, of bodies of armed men committed to uphold the property interests of the bourgeoisie.

5. Reviewing these events, one is also reminded of the far-sighted analysis of capitalist parliamentary democracy made by Leon Trotsky in an article published in 1929, shortly after his expulsion from the Soviet Union by the Stalinist bureaucracy. Examining the breakdown of democratic institutions that was starting to unfold in Europe, Trotsky explained that the move toward dictatorship flowed from the fact that parliamentary democratic institutions could not stand the pressure of the class tensions internally, and the international political conflicts. "By analogy with electrical engineering," he wrote, "democracy might be defined as a system of safety switches and circuit breakers for protection against currents overloaded by the national or social struggle. No period of human history has been—even remotely—so overcharged with antagonisms such as ours. The overloading of lines occurs more and more frequently at different points in the European power grid. Under the impact of class and international contradictions that are too highly charged, the safety switches of democracy either burn out or explode. That is what the short circuit of dictatorship represents" [Leon Trotsky, *Writings 1929*, pp 53-54].

6. Critics claimed that Trotsky's analysis was too extreme and reflected the fact that he came from Russia, which lacked democratic traditions. The situation was different in Western Europe with its democratic traditions. But within the next decade not a single democracy remained on the continent. "No period of human history has been … so overcharged with antagonisms such as ours," Trotsky wrote. Consider these words. We have surely entered such a period again, a period in which the fate of the working class and humanity as a whole will be decided.

7. Let us turn to an examination of the antagonisms that are threatening to blow the safety switches of democracy. We are now well into the third year of the global financial crisis that began in the American sub-prime mortgage market in mid-2007 and then exploded with the collapse of Lehman Brothers and the near-meltdown of the entire global financial system in September 2008. Hundreds of billions of dollars have been

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made available to the banks and finance houses around the world. But far from alleviating the crisis, governments around the world, acting on the orders of the banks and financial markets, are now implementing austerity programs aimed at driving down the living standards and social position of the working class on a scale not seen since the 1930s. Financial turbulence continues, with the latest world economic update from the International Monetary Fund warning that, while the world economy has managed to grow, "recent turbulence in financial markets—reflecting a drop in confidence about fiscal sustainability, policy responses, and future growth prospects—has cast a cloud over the outlook". In a column entitled "The Third Depression," published in the *New York Times* on June 27, the Nobel laureate economist Paul Krugman wrote: "Recessions are common, depressions are rare. As far as I can tell, there were only two eras in economic history that were widely described as 'depressions' at the time: the years of deflation and instability that followed the Panic of 1873 and the years of mass unemployment that followed the financial crisis of 1929-31. … We are now, I fear, in the early stages of a third depression. It will probably be more like the long Depression than the much more severe Great Depression. But the cost—to the world economy, and, above all, to the millions of lives blighted by the absence of jobs—will nonetheless be immense."

How immense can be gauged from the unemployment and social catastrophe unfolding in the United States. The US is undergoing the worst economic downturn since the 1930s, with official unemployment levels at around 10 percent. Even where jobs are being created, they are nowhere near enough. The result is a rise in long-term unemployment. Last May almost half, some 46 percent, of all unemployed workers had been out of work for a period of six months or more. This is 6.8 million long-term unemployed workers; by far the highest level since the Great Depression. Since the recession began, some 7.4 million jobs have been destroyed. But the situation is even worse when you consider the growth in the working population over the past two and a half years. This means that there is an employment gap of about 10.4 million. And the latest figures released show that the size of the labour force contracted by 652,000 in June as compared to May.

The situation in Europe is no better. The Dutch bank ING has just published a report entitled "Quantifying the Unthinkable," in which it points to the consequences to the European and world economy if the euro were to collapse. Such a breakdown would trigger the worst economic crisis in modern history. "Complete break-up," the authors of the report write, "would have effects that dwarf the post-Lehman Brothers collapse. Governments would find themselves having to bail out the banks again, worsening already fragile government finances. The risk of at least a temporary break-down in payments systems would be enormous." The authors note that they are not predicting a break-up, but go on to add that such an event is "no longer just a figment of fevered Anglo-Saxon imaginations". A recent survey of some 440 heads of global banks and companies found that 50 percent expect one country to leave the European Monetary Union by 2013, while a quarter expect a complete collapse.

Warning against the austerity measures being pursued by all European governments, the billionaire banker George Soros commented recently in the *Financial Times*: "The policies currently being imposed on the eurozone directly contradict the lessons learned from the Great Depression, and risk pushing Europe into a period of prolonged stagnation or worse. That, in turn, would generate discontent and social unrest. In a worst-case scenario, the EU could be paralysed or destroyed by the rise of xenophobic and nationalism extremism." And in China there are concerns that the boom of the past year, resulting from a government stimulus package of $500 billion and the relaxation of bank credit, is coming to an end.

8. The global crisis of the capitalist system is not only expressed in the unfolding economic disaster. It is the driving force behind the disintegration of the mechanisms that were established after World War II, aimed at preventing the eruption of another inter-imperialist conflict.

9. Consider the situation that now prevails in Europe, where the conflicts in the first decades of the twentieth century provided the fuel for two world wars, the loss of hundreds of millions of lives and unimaginable devastation. The crisis wracking the eurozone, and the European economy more broadly, is not simply an economic crisis but has far-reaching political implications. A recent article in the *Financial Times* on the crisis in the European Union, in particular the growing divisions between Germany and France, quoted one commentator who remarked: "The 'German question' is back, you can't get away from it."

The commentator was referring to the conflicts between Germany and the other imperialist powers that sparked two world wars. The conflicts flowed from the struggle between dynamic German capitalism, searching for its place in the sun, and the older imperialist powers, Britain and France. The European Union (EU) developed out of a series of initiatives in the immediate post-war period to solve this problem by providing a framework for the expansion of the German economy without creating the conditions for another war. The Common Market, the forerunner of the EU, provided the economic basis. The Cold War, in which the conflicts in Europe were subordinated to the measures against the Soviet Union, under the political and military hegemony of the United States, provided the political foundations. When the Soviet Union collapsed, both Prime Minister Thatcher in Britain and President Mitterrand in France expressed their opposition to German unification. Unification went ahead, but the efforts to ensure that German capitalism developed as part of all-European growth continued, and resulted in the EU and then the eurozone. In return, German capital demanded that a stable currency and financial system be set in place. Now the whole project is threatening to collapse under the impact of the crisis of the European banks. Germany refuses to continue to be the paymaster of Europe. The breakdown of the EU will see a shift to the East, possibly a German alliance with Russia, which supplies 40 percent of Germany's gas needs. But such a turn would bring a conflict with the US.

10. Then there is the rise of tensions between the US and China. The United States views with undisguised hostility the emergence of new powers that will further undermine its already diminished economic position. It has launched two wars in the past 10 years aimed at bolstering its position in the Middle East and Central Asia, and seeks to counter its economic decline with military power. We do not have the time available here to point to the innumerable flashpoints around the world where the interests of the major capitalist powers, as well as the lesser ones, intersect and collide—the Korean Peninsula, the South China Sea, Central Asia, the Middle East, the Caucasus, not to mention the Indo-Pak border and the China-India border, as well as Africa … even the North Pole.

The source of these conflicts does not lie in the character of the various capitalist politicians but in geo-political and economic realities. Capitalism is wracked by a profound and irresolvable contradiction between the global economy and the division of the world into rival nation states. That contradiction has not been lessened by the global economic integration that has taken place over the past three decades. On the contrary, it has been intensified. Each of the major capitalist powers, as well as the smaller ones, seeks to boost its global position at the expense of its rivals. There is an ongoing struggle of each against all. So long as the global economy keeps expanding the possibility exists to find room to manoeuvre. But a global economic breakdown, such as that now underway, means that the tensions become immeasurably sharper.

11. We have seen this process being played out at the recent G20 economic summit in Toronto. The European capitalist powers drew the conclusion from the eruption of the financial crisis in May that it was now necessary to cut government debt and reduce deficit spending, or a financial crisis would erupt. As German Finance Minister Wolfgang

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Schäuble recently explained, the financial markets told governments what they had to do. But austerity in Europe spells enormous problems for US capitalism. It means that exports markets will dry up. This is a deep-going historical question. The post-war reconstruction of Europe by the United States was carried out with the understanding that one of the central lessons of the Great Depression was that American capitalism could not thrive and prosper without economic expansion in Europe. Now the program of austerity, spearheaded by the dictates of Germany and the European Central Bank, threatens to impose a depression across the European continent. This conflict dominated the lead-up to the G20 summit, prompting the *Financial Times* to comment in an editorial that "without more G20 solidarity, global politics could soon become nastier than mere bickering". No such cohesion emerged from the summit.

12. Let us turn to a closer examination of the global economic breakdown. We have insisted, and this is the underlying theme of this conference, that the struggle for socialism is not some sort of preferred political option but an historic necessity in order to prevent mankind being plunged into a catastrophe. To illustrate why this is so, I would like to return to examine the arguments of Paul Krugman, whose article I cited earlier. After warning of a third depression and immense social misery, Krugman explains that such an occurrence "will be primarily a failure of policy". In the face of the lessons of history, especially the 1930s, he writes, "you might have expected policy makers to realise that they haven't done enough to promote recovery. But no: over the last few months there has been a stunning resurgence of hard money and balanced-budget orthodoxy." Why then the wrong turn in policy? According to Krugman, the turn is not really about Greece or a realistic appreciation of the problems of the global economy. "It is, instead, the victory of an orthodoxy that has little to do with rational analysis, whose main tenet is that imposing suffering on other people is how you show leadership in tough times."

So what is the problem? The entire world, save Mr. Krugman and those who share his views, has abandoned rational thinking and analysis. If only they would abandon this madness and listen to Krugman and other wise counsel, then the problems of the global capitalist economy could be tackled. Krugman and other so-called small-l liberals, who hold out the prospect for the reform of capitalism, can come to no other conclusion. For to say otherwise would be to admit that the problems are rooted in the irresolvable contradictions of the capitalist economy.

Having just marked July 4, the anniversary of the American Revolution, we should draw the lessons of history. The Paul Krugmans of 1776 would have had one believe that but for the madness of King George, and his refusal to listen to sound advice, then the conflict between the American colonists and the mother country could have been resolved. But the revolution took place because conflicts had arisen that could be resolved in no other way.

13. The drive to austerity and the imposition of immense social and economic misery arises not from the irrationality of politicians and their economic advisers but from the fundamental contradictions of a failed social and economic order. Not the madness of politicians but the insanity of the capitalist system, in which the lives and welfare of the world's people are subordinated to the dictates of the private profit system, is the source of the crisis.

14. The financial crisis that erupted in 2008 was the outcome of processes that had been set in motion over the previous 30 years. They were the response to the crisis of capitalist profitability that had exploded from the end of the 1960s, accompanied by potentially revolutionary movements of the working class in country after country, including Australia, in the period 1968 to 1975.

15. Two interconnected processes were at the heart of the capitalist restructuring that began from the late 1970s onwards. These were the globalisation of production and the rise of finance within the major capitalist economies and on a global scale. These developments were bound together. It was finance capital that played the key role in the restructuring of the capitalist economy. It acted, so to speak, as the organiser-in-chief of the globalisation of production, tearing down the old structures of manufacturing industry in the major capitalist countries and forcing the re-organisation of production on a global scale. But this financialisation developed a life of its own. The process of accumulation under capitalism starts and finishes with money. The production of commodities, investments and so on are all means to this end. The accumulation of capital in the form of money is the driving force. Hence arises the dream that money can be turned into money without the intervening production process. Financialisation seemed to be the realisation of this dream. However, notwithstanding the illusions and delusions that money engenders—the notion that money can beget more money simply by its very nature—so-called financial assets represent, in the final analysis, a claim on the surplus value extracted from the working class in the process of capitalist production. It is the exploitation of human labour, not the manipulations of finance, no matter how ingenious or complex, which is the source of all value.

16. Let us see how this crisis developed. In 1980, global GDP stood at $10 trillion, while global financial assets amounted to $12 trillion. By 1990, global GDP was $22 trillion and global financial assets were $43 trillion. That is, during the decade of the 1980s, global GDP nearly doubled, but global financial assets, the claims on this wealth, more than tripled.

Over the next decade, this divergence continued. Global GDP increased by about 50 percent—from $22 trillion to $32 trillion, while global financial assets more than doubled—from $43 trillion to $94 trillion.

Then, after a minor downturn, due to the collapse of the dot.com bubble in 2000-2001, the divergence widened further, so that by 2007, at the height of the boom, global financial assets were $196 trillion compared to global GDP of $55 trillion. In other words, in the space of just over a quarter of a century, global financial assets had gone from just over 100 percent of global GDP to more than 350 percent. Or, to put it another way, from 1980 to 2007 financial assets grew at a rate around four times faster than the real wealth upon which these assets are, in the final analysis, a claim. This meant that billions of dollars of financial assets held by banks and financial institutions were completely worthless. The claims on wealth vastly exceeded the real wealth that existed. How had that situation developed?

17. Here we come to a very important point. The laws of the capitalist economy do not function as some kind of regulative principle. That is to say, it is not as if there is some kind of all-powerful authority checking the relationship between the growth of finance and real wealth and keeping them in line. The frantic process of financial accumulation proceeded according to its own logic. Ever-more complex financial mechanisms—collateralised debt obligations, securitisation, sub-prime mortgages etc.—were developed. As the head of Citigroup, Chuck Prince, explained in July 2007, while the music is still playing, you have got to get up and dance. Did this vast accumulation of financial wealth somehow mean that the laws of capitalist economy had ceased to operate? Not at all, for as Marx had explained, these laws do not operate as a regulatory mechanism over the accumulation process, but after the fact, like the law of gravity asserts itself when a house falls about our ears. The house of finance—this edifice of the market, capitalist profit, private wealth accumulation and all the other wonders of the capitalist mode of production—collapsed because the claims on wealth far outweighed the real wealth extracted from the working class.

18. Confronted with the meltdown of the financial system, governments around the world stepped in to bail out the banks and the finance houses. The essential process was very simple: governments and central banks took off the books of the banks the worthless or so-called toxic assets and

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placed them on their own. The bailout operation has cost $14 trillion, or around 25 percent of global GDP. However, this did not solve the problem; it merely shifted it. The capitalist state now has the task of putting value back into financial assets. How is that to be done? By clawing back the wealth of society used to provide education, social services, health pensions and other social facilities, and making it available to capital. This is the meaning of the austerity measures now being implemented by governments around the world. How long is this process going to last? According to the managing director of the IMF, Dominique Strauss-Kahn, decades.

19. Let us return to the analysis of parliamentary democracy made by Trotsky. The safety switches are becoming overloaded by the increasing class tensions that this process is producing. The program being demanded by global finance capital was spelled out most clearly by former US Federal Reserve Board chairman Alan Greenspan in a comment published in the *Wall Street Journal* on June 18. Warning that the rise of US government debt could trigger a financial crisis with "unexpected suddenness," Greenspan set out his agenda, and that of the financial markets for which he speaks: "Only politically toxic cuts or rationing of medical care, a marked rise in the eligible age for health and retirement benefits, or significant inflation, can close the deficit. I rule out large tax increases that would sap economic growth (and the tax base) and accordingly achieve little added revenues… The United States, and most of the rest of the developed world, is in need of a tectonic shift in fiscal policy. Incremental change will not be adequate."

20. Can such a tectonic shift in fiscal policy, involving politically toxic cuts, be carried out within the framework of parliamentary democracy? The answer is to be found by examining the discussions going on in ruling circles and the measures now being implemented. Last month, an interview with John Monks, general secretary of the European Trade Union Confederation, published in the *EUobserver*, provided a revealing glimpse as to the discussion and preparations going on behind the scenes. Monks said the situation in Europe was "extremely dangerous". He went on: "This is 1931, we're heading back to the 1930s with the Great Depression, and we ended up with militarist dictatorship. I'm not saying we're there yet, but it's potentially very serious, not just economically but politically as well." Monks revealed that his fears about political stability are shared by Jose Manuel Barroso, president of the European Commission. Barroso told him: "Look, if they do not carry out these austerity packages, these countries could virtually disappear in the way that we know them as democracies." Monks said Barroso "shocked us with an apocalyptic vision of democracies in Europe collapsing because of the state of indebtedness". And the issue is not being left at discussion. As the WSWS perspective of June 30, dealing with the mass repression at the G20 summit, noted: "It had the character of a dress rehearsal for even bigger operations. The state violence outside the G20 meeting was closely linked to the policy discussions going on inside the Metro Toronto Convention Centre, which centered on plans to make working people around the world pay for the capitalist economic crisis. Every head of state present, most of them despised by their own citizens, knows that the measures to be taken against the living standards of hundreds of millions of people worldwide will provoke anger and opposition, as the Greek events have demonstrated. The austerity policies cannot be implemented peacefully and democratically. They must ultimately be imposed by force."

21. It is only within this international and historical context that the real political significance of the events in Australia and their implications for the working class can be grasped. The ousting of Rudd was a coup carried out at the behest of powerful global corporate interests in the mining industry, the media and other sections of big business. Claims that Rudd was ousted because of his opinion poll ratings, or his office management style, or his autocratic form of rule, or that Julia Gillard decided to run for the leadership because she was outraged by an article in the *Sydney Morning Herald*, based on information supplied by Rudd's office, that she was disloyal are simply absurd.

22. The ousting of Rudd was a political expression in Australia of the vast shifts in the global economy. Last May, when the Labor government brought down the budget, promising to put the budget in surplus by 2013, it was greeted with an extraordinary outburst of Australian exceptionalism—the doctrine that Australia is exempt from the forces operating in the global capitalist economy. Treasurer Wayne Swan claimed Australia had defied global economic gravity. The chief political columnist for the *Australian*, Paul Kelly, insisted that the budget was "the stunning story of Australian exceptionalism in action".

23. Far from escaping the impact of world economic processes, the global financial crisis has revealed the extreme vulnerability of Australian capitalism. In October 2008, the Labor government was forced to give a blanket guarantee to the four major banks when it became clear that without it, the flow of funds from international financial markets, totaling about $400 billion a year and financing some 40 percent of the banks' loans, would dry up. Had that happened, the Australian banks would have become insolvent, virtually overnight, recalling the crash of the 1890s and that of the 1930s. The much-vaunted minerals boom is completely dependent on the unstable Chinese economy. Contrary to the propaganda of the mining industry's advertising campaign, mining exports did not "save Australia" from the financial crisis. Exports dropped and mine jobs were cut as Chinese demand fell, due to the loss of export markets. They only began to revive under the impact of the Chinese $500 billion stimulus package at the end of 2008 and, even more significantly, as a result of the expansion of credit ordered by Chinese authorities in order to finance infrastructure projects. The extreme volatility of the global economy has been demonstrated in recent days as share markets tumble on the prospect of a further downturn in the US economy, a banking and financial crisis in Europe and a slowdown in the Chinese economy.

24. These rapid shifts and movements in the global economy, and the new political imperatives they bring forward, are an essential component of the driving forces of the coup against Rudd. It was aimed at bringing to power a government ever more closely aligned with, and responsive to, the dictates of the most powerful transnational corporations and financial interests. The economic policy with which Rudd was most closely associated was the fiscal stimulus package. But that must now be changed in line with the insistence of finance capital that all governments turn to austerity measures. It was not that Rudd would have been unwilling to make the turn, but there were considerable doubts about his ability to carry it out. After all, when confronted with the demand for a reduction in the budget deficit as well as so-called economic reforms—in particular major tax concessions to business—the Rudd government opted for a resources super profits tax on the major mining companies. The coup took the form of an internal strike to refashion the Labor government. This was under conditions where the bourgeoisie has no real confidence in a government led by Liberal Party leader Tony Abbott. After all, the Liberals' only major economic policy has been the imposition of a tax levy on business to finance paid maternity leave.

25. I have sought to reveal the driving forces of the coup and their origin in the crisis of the world capitalist economy. Of no less significance is its mechanics—the way it was carried out. Here we must trace out the evolution of the Labor Party and the trade unions over the past 30 years. Bill Shorten, Paul Howes and the other factional party warlords are only the personification of the transformation of the Labor Party and the union apparatuses into direct instruments of corporate and finance capital.

26. This transformation has its origins in the coup that took place 35 years ago—the sacking of the Whitlam Labor government on November 11, 1975 by the Governor-General Sir John Kerr, and the placing of the army on alert, during the last great period of economic turmoil. The

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ousting of the Whitlam government could only proceed because of the collaboration of the entire Labor leadership, from Whitlam down, and all factions of the trade union bureaucracy, from the right-wing, through to the Labor "lefts" and the Communist Party Stalinists, who commanded significant support within the trade union movement. Why did they not oppose the coup? What united all these tendencies? It was best summed up by Bob Hawke, then Australian Council of Trade Unions president, and later Labor prime minister, when he was asked on the afternoon of the coup whether there would be a general strike. Hawke replied there would not, and said the greatest danger was not that a Labor government had been removed but that Australia could see "the unleashing of forces the like of which we have never seen". In other words, had a struggle been launched against the sacking of Whitlam—a general strike, for example, would have drawn overwhelming support—it would have led to potentially revolutionary struggles. That was why such a struggle had to be opposed above all else. The task of the Labor and trade union leadership was not to paralyse the machinations of the capitalist state by mobilising the power of the working class, but rather to paralyse the working class on behalf of the capitalist state.

27. In the ensuing seven years of the Fraser Liberal government, the Labor and trade union bureaucracy drew definite lessons from the ousting of the Whitlam government. The central conclusion they reached was that the reason for the sacking was their failure, so far as the bourgeoisie was concerned, to sufficiently control and suppress the movement of the working class. That problem had to be rectified and definite mechanisms set in place for the next Labor government. These efforts did not go unnoticed or unappreciated. Malcolm Fraser, whose government was roundly condemned in bourgeois circles for not going far enough or fast enough on the path of so-called economic reform, once commented that he thought the major achievement of his government was the change it had brought about in the Labor Party.

28. The consequences of that change were seen in the 13 years of the Hawke-Keating government, starting with the adoption of the prices and incomes accord in February 1983 and the employer-trade union summit in April 1983—a meeting held even before parliament had been convened. During little more than a decade, we saw the suppression of virtually all independent activity of the working class, the smashing up of factory and shopfloor organisation built up over decades, the destruction of whole sections of industry, the use of troops and police to break strikes and the transformation of the unions into direct instruments of the capitalist state and the corporate and financial elites.

It is in this process that we find the answer to the question: why did the whole operation against Rudd proceed so seamlessly? The faction chiefs were responding to the pressures emanating from the most powerful sections of the ruling class, just as they have over the past three decades. This is by no means simply an ideological question. There are directly material ties between the Labor and union apparatuses and the upper echelons of big business and finance. We will have more to say on this question on the WSWS, but let me point to some of the connections detailed in a recent article by the journalist Nikki Savva. The director of public affairs for BHP Billiton is Geoff Walsh, former ALP national secretary and former adviser to Hawke and Paul Keating. BHP Billiton's senior media relations person is journalist Amanda Buckley, who worked for Kim Beazley and for Clare Martin when she was chief minister of the Northern Territory. Former Hawke press secretary Colin Parkes is a consultant to BHP Billiton. Tim Gartrell, who succeeded Walsh as ALP national secretary, now works for mining magnate Andrew "Twiggy" Forrest. The man in charge of government relations at Rio Tinto is former Keating adviser Mark O'Neill. And the man who organised the anti-mining tax advertising campaign for the Minerals Council is Neil Lawrence, the architect of the Kevin07 campaign during the last federal election.

29. The Labor and trade union apparatuses not only have no connection with the needs, interests and aspirations of the working class. They are the direct instrument of the ruling class. Today, they organise a coup in the government. Tomorrow, under conditions of deepening economic crisis and amid growing struggles of the working class, they will facilitate military rule and ensure it is enforced.

30. This brings us to the purpose of this conference. It is to clarify the situation that now confronts the working class, and to outline the program and principles upon which a new party must be built.

31. Our perspective is not the reform of capitalism—that is impossible—but its overthrow, and the establishment of a workers' government, opening the way for a rationally planned and democratically organised economy. The crisis of the capitalist system cannot be resolved on the national level but only on an international scale. This means that internationalism—the unification of the working class across national borders and continents through the struggle against all forms of nationalism and racism—must become the great political and organising principle for the revival of the international workers' movement.

32. The period ahead will bring great social and class struggles. We know that, from the lessons of history. But history also tells us that the decisive question in the defeat or victory of those struggles is the question of revolutionary leadership. The objective contradictions of capitalism will provide no shortage of struggles. The absence of mass struggles at this stage is not a permanent condition but an historical aberration. The political situation is going to change. But no matter how powerful or explosive these struggles, they will not resolve the question of leadership. Here the role of the subjective factor is the decisive question. The decisions taken by individuals are decisive. That is why we urge you all to join the SEP and undertake its building as part of the world party of socialist revolution, the International Committee of the Fourth International. Immediately ahead we are organising an intervention in the election campaign in order to take the program of this party to the widest possible layers of the working class and youth. Take part in this struggle and align yourselves with the struggle to build the new party of the working class in the coming period.

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