

# The stock market panic and the call for strong government

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As stock markets plummet worldwide, the media increasingly repeat the call for strong government.

Britain's *Daily Telegraph* writes, "Experience, skill and a prodigious amount of luck are required if a grave accident is to be averted. Unfortunately, it is painfully apparent that none of these qualities are available: Western leaders are out of their depth."

The conservative newspaper describes President Barack Obama as "well-meaning but ineffectual" and accuses German Chancellor Angela Merkel of "a basic inability to even grasp the nature, let alone understand the scale, of the disaster facing Europe."

Germany's *Süddeutsche Zeitung* complains, "The debt crisis is increasingly becoming a domestic political problem in the US and Europe." It cannot be expected that under the pressure of events, the political actors will "find unexpected strength," because they are focused on upcoming elections or must take parliamentary majorities into consideration.

The rating agency Standard & Poor's justified its downgrading of the US government's credit rating by pointing to the political conflicts in Washington: "We lowered our long-term rating on the US," S&P wrote, "because we believe that the prolonged controversy over raising the statutory debt ceiling" indicates that "containing the growth in public spending... is less likely than previously assumed and will remain a contentious and fitful process."

The conclusion that emerges from these statements is clear, even if it is not always openly stated: elections, parliamentary debates and other democratic practices are incompatible with the harsh measures deemed necessary in light of the crisis. The call for a strong regime with authoritarian powers is unmistakable.

The measures that are demanded in the press commentary are directed exclusively against the

working class. Standard & Poor's calls for cuts of \$4 trillion in the US budget instead of the \$2.4 trillion agreed—mainly directed at social spending. However, all commentators rule out measures against the banks, which triggered the 2008 crisis through their criminal speculation and then cashed in afterwards thanks to government bailouts.

Nor is there any talk of public works programmes in response to global recession, let alone increased taxation of those with high incomes and massive wealth. Steps like those taken under US President Franklin D. Roosevelt's New Deal in response to the Great Depression are now seen as taboo. Instead, the media and politicians follow the example of the German Chancellor Heinrich Brüning in the 1930s.

In the midst of a financial crisis in March 1930, Brüning, of the Centre Party, formed a minority government that used emergency decrees to drastically cut government spending, driving the economy into recession and pushing unemployment to record levels. After two years, Brüning made way for an even more authoritarian regime, which in turn paved the way for Hitler.

Along with the media, all of the official political parties are following the example of Brüning and responding to the crisis with new austerity measures. This is true not only for right-wing parties (like the Republicans in the US and conservative parties in Europe), but also the nominal "left" parties—the US Democrats, European social democrats, Greens, Germany's Left Party, and like parties in other countries—as well as the trade unions.

They are all prostrate before the "financial markets"—i.e., a small clique of multi-millionaires and billionaires. If the financial markets are nervous, they offer them more sacrifices in the form of "rescue

packages” financed from the public coffers, along with more social cuts. They compete to see who can be most effective in cutting social spending, deregulating the labour market and lowering labour costs.

In Italy, the trade unions and the centre-left parties attack the Berlusconi government from the right because its budget cuts are not sufficiently radical. In Germany, the Social Democratic Party (SPD) and the Greens insist on strict compliance with the constitutionally mandated balanced budget amendment. In the US, Democratic President Obama agrees to the sharpest cuts in social programmes in the country’s history.

In the midst of the deepest economic crisis since the 1930s, not a single bourgeois politician is willing or able to propose a serious measure to alleviate the social consequences. Instead, all of the establishment parties pursue a policy that exacerbates the crisis, increases national conflicts and leads toward dictatorship and war. This is a devastating indictment of the capitalist system.

Roosevelt’s New Deal in the 1930s was possible because US capitalism still had significant economic reserves. German capitalism, weakened by defeat in World War I, could not afford such a policy and went the way of Brüning and Hitler.

Today, American capitalism is no longer capable of mounting such a policy. The country is the focal point of the international crisis. It is deeply in debt and has no economic reserves. But there are no other capitalist powers that could take over its role.

Germany’s economy is dependent on the export industry, which would suffer heavily as a result of an international recession. The European Union is disintegrating under the pressure of the financial markets. China is torn by deep social contradictions.

The working class cannot defend its interests within the framework of capitalism. In a number of countries, the social crisis has triggered revolutionary upheavals and social protests. But these can be successful only if they take up a conscious struggle for the overthrow of the profit system, the establishment of a workers’ government and the building of a socialist society.

To carry forward this struggle, the working class must break with all those organizations that defend capitalism, including the trade unions, and build a new international socialist party. This is the struggle carried

out by the International Committee of the Fourth International and the Socialist Equality Party.

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