

# Socialism and the global economic crisis

**Stefan Steinberg, Barry Grey****6 October 2011**

Three years into the severest world economic crisis since the 1930s, stock markets around the world are once again tumbling as the capitalist system plunges into depression.

In the wake of the September 2008 financial meltdown, governments injected trillions of dollars of public funds into the banks, robbing the state to cover the bad debts of the bankers and speculators. It is estimated that, virtually overnight, the bank bailouts increased national indebtedness by an average of 30 percent. As a result, a series of countries now face bankruptcy.

The banks and financial interests deemed “too big to fail” in 2008 are, three years later, bigger and more powerful than ever. Their share of international wealth has dramatically increased during the years of mass unemployment and growing poverty for the working class.

The response of governments, first in Europe and then internationally, to the bankrupting of the state to bail out the financial elite was to embark on brutal austerity measures to make the working class pay for the sovereign debt crisis. The result of the impoverishment of broad layers of the population has been a deepening of slump, a catastrophic fall in tax revenues and a worsening of the debt crisis.

Now the lurch toward default by Greece, with other highly indebted countries such as Portugal, Spain and Italy close behind, has rebounded back onto the banks, which hold tens of billions of dollars in worthless government and corporate bonds of these nations. Major European and US banks are once again teetering on the edge of collapse as their stock prices plummet and commercial credit becomes unavailable. This has prompted the big banks and their handmaidens in the European Union, International Monetary Fund and European Central Bank to move toward a new and even more massive taxpayer-funded bailout of the banks.

This, in turn, is to be paid for through an intensified assault on the living standards of the working class, not just in Greece and other defaulting countries, but across Europe, North America, and Asia.

At the same time, the flooding of global financial markets with cheap dollars has fatally undermined the international monetary system and destroyed the credibility of the US dollar as the world reserve and trading currency. With no other currency to replace the dollar—the linchpin of the world currency system since the end of World War II—any basis for international collaboration and economic stability is removed and the world lurches toward a new period of currency and trade wars such as that which led to the balkanization of the world market in the 1930s and the eventual outbreak of a new world war.

This is the disaster which the high priests of world capitalism have produced three years after the eruption of the crisis. Their self-congratulatory paeans to multilateral coordination and the foreswearing of economic nationalism of the first months of so-called “recovery” have given way to bitter recriminations and conflicts between Europe and America, within Europe, between the US and China—indeed, to an atmosphere of beggar-thy-neighbor, each man for himself and the devil take the hindmost.

The record of the past three years makes indisputably clear that the crisis is not merely a temporary or conjunctural phase, but rather an expression of the historic failure and breakdown of the capitalist system itself. The only consensus within the international bourgeoisie is to exploit the crisis to carry out a social counterrevolution in which all of the social gains of the working class in the previous century are destroyed. This is the policy of every government, whether nominally “left” or “liberal”—such as the social democratic PASOK regime in Greece, the Socialist Party government in Spain and the Democratic Party

administration in the US—or of the bourgeois right, such as in Germany, France, Italy, and Britain.

The model for this process is the systematic pillage of Greece. With a savagery that parallels the murderous “shock and awe” methods used by imperialist military machines in Iraq, Afghanistan, Libya and elsewhere, the international bourgeoisie is imposing one round of devastating austerity measures after another against the Greek population. In this case, however, the aim is not to physically destroy the nation’s infrastructure, but rather to force its privatization and handover to international banks and corporations at fire-sale prices.

Just a week ago the “troika” overseeing the dispensing of bailout funds to Greece—the European Commission, the IMF and the European Central Bank—made the implementation of unprecedented job cuts in the civil service a prerequisite for another tranche of money, without which Greece will quickly default on its obligations. The government of Prime Minister George Papandreou duly announced it would dismiss 30,000 workers. The European Union finance ministers still refused to release the funds and the “troika” piled on new demands, including the scrapping of the country’s national wage contract, a cut in the minimum wage, and fast track action to privatize state assets.

The ruthlessness with which these agencies function was summed in an editorial in Wednesday’s *Financial Times*, which noted cold bloodedly: “Without new loans Athens will have to suspend salary or pension payments—a tragedy, but not one that will bring down other countries.”

The assault on Greek workers is not an aberration. It is the model for what is to come all over the world. The implementation of this policy is incompatible with the trappings of democratic rule. Along with the growth of militarism, the social counterrevolution brings a shift to police-state forms of repression.

There is no way out for the working class from this descent into barbarism within the framework of capitalist private ownership of the means of production and the system of rival nation-states on which the profit system is based. The ruling classes of the world and their docile governments have already demonstrated this conclusively over the past three years.

The only answer for the world’s people is a fundamental restructuring of economic life on the basis

of genuine global collaboration, social equality, and the development of man’s resources to meet social needs, not private profit. This is the fight for socialism. The claim that there is “no money” to meet social needs is a lie. The rich and super-rich have never had it better. The problem is the rule of an utterly parasitic and destructive capitalist elite that plunders the world economy to increase its wealth.

The crisis is creating the conditions for the realization of this goal. Already mass revolutionary upheavals have occurred in Tunisia and Egypt. Working class resistance is growing in Europe and the US, as well as in Asia. There is a growing perception among millions that the capitalist system has failed and must be replaced.

The critical issue is the building of a new revolutionary leadership to arm the emerging mass struggles with a thoroughly worked-out, international revolutionary program and strategy to enable the working class to take power. Only the Socialist Equality parties and the International Committee of the Fourth International (ICFI) are fighting to build this leadership based on the principles of the political independence of the working class from all sections of the bourgeoisie and the international unity of the working class against all forms of nationalism, racism and chauvinism.

Those who see the need to unite and mobilize working people against the counterrevolutionary assault of the ruling class should make the decision to join and build the SEP and the ICFI.

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