

Social and political crisis hangs over World Economic Forum in Davos

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26 January 2012

Twelve months ago, the mood at the World Economic Forum (WEF) in Davos, Switzerland was somewhat upbeat. The worst of the global financial crisis seemed to have passed and billionaire CEOs like JPMorgan Chase's Jamie Dimon were telling the world it was time to stop bashing the banks. It was an "unproductive and unfair way of treating people," Dimon complained.

This year the scene is a little more somber. Events in Europe make it clear that the financial crisis is far from over—it may be only just beginning—and the ruling elites who gather each year in the alpine village are confronted with the re-emergence of global social struggles, driven by the greatest levels of wealth and income inequality in history.

Last year, inequality was well down the list of concerns of the bankers, business chiefs and academics who are polled by the WEF for its annual survey and asked to list their chief concerns. This year it is far and away the number one item on the list.

The mood at the conference was not improved by the opening speech by German Chancellor Angela Merkel. It had been hoped, after calls for the provision of increased resources for the European bailout fund in order to "firewall" countries such as Italy and Spain from the euro crisis, that Merkel would be more accommodating to the idea. It was not to be.

She told the forum that while "we can guarantee the euro... what we don't want is to promise something we can't hold."

Merkel said she doubted whether an increase in the rescue fund—on Monday, IMF Managing Director Christine Lagarde called for its doubling to \$1 trillion—would restore confidence to the markets, or even whether a trebling would be enough.

"What we don't want... is a situation in which we

promise something we can't back up in the end because if Germany... promises something that can't be kept if markets attack it hard, then Europe is really vulnerable."

Merkel is concerned that with Germany now the only major euro zone economy with a triple-A credit rating, following the downgrading of France, an increased commitment to the European rescue fund would place it under direct pressure from the credit rating agencies.

Even as the speech was being delivered, the financial crisis was taking a further turn for the worse with rates on Portuguese debt climbing to record highs, reflecting fears that the government will eventually be forced to default on its commitments.

The deepening of the financial crisis, after what seemed a brief respite over the Christmas-New Year period, serves to underscore one of the main themes of the WEF's annual assessment of the global economy published for the forum—that financial and other mechanisms developed in the 20th century are now completely unable to meet the complexities of the 21st.

The WEF report warned that the "seeds of dystopia" were being sown—a "place where life is full of hardship and devoid of hope."

"Analysis of linkages across various global risks," it continued, "reveals a constellation of fiscal, demographic and societal risks signalling a dystopian future for much of humanity."

The report warned that in the absence of viable alternatives, worsening economic conditions could "jeopardize the social contracts between states and citizens," leading to a downward spiral in the global economy fuelled by protectionism, nationalism and populism.

The great unmentionable in this scenario is the development of an independent movement of the

working class and the conscious political struggle for socialism. But it was clearly on the minds of the report's authors as they noted events in Egypt and elsewhere in 2011 and pointed to the significance of social inequality.

They wrote: "Two dominant issues of concern emerged from the Arab Spring, the 'Occupy' movements worldwide and recent similar incidents of civil discontent: the growing frustration among citizens with the political and economic establishment, and the rapid public mobilization enabled by greater technological connectivity."

At the same time, the report expressed a distinct lack of confidence in the ability of the existing social and political order to respond to the vast shifts now taking place in social and economic life.

"As the world grows increasingly complex and interdependent," it declared, "the capacity to manage the systems that underpin prosperity and safety is diminishing. The constellation of risks arising from emerging technologies, financial interdependence, resource depletion and climate change exposes the weak and brittle nature of existing safeguards—the policies, norms, regulations or institutions which serve as a protective system. Our safeguards may no longer be fit to manage vital resources and ensure orderly markets and public safety."

Taken as a whole, the WEF report amounts to an admission by the ruling elites that they have lost the right to rule, that the political and economic order over which they preside has no legitimacy in the eyes of masses of people the world over, and that it holds nothing for the future of humanity except a social, economic and ecological nightmare.

But that does not mean that the ruling elite and its irrational and destructive economic and political order are going to bow out and fade away peacefully into the good night. History is not determined by rationality, but by the class struggle. Even as their historical bankruptcy becomes increasingly apparent, the ruling economic and political elites as well as their ideologists in the media and academia, now gathered in Davos, will fight ever more viciously to maintain their position against growing social opposition.

The working class around the world has expressed its hostility to the existing establishment. But as yet it has not begun to positively advance its own socialist

program to resolve the catastrophe into which the global ruling classes—by their own admission—are threatening to plunge humanity. That is the urgent task of the coming period.



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