Australia’s financial newspaper warns of another global crash

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“It will happen again.” That was the headline on last weekend’s *Australian Financial Review* marking the tenth anniversary of the liquidation of the US investment bank, Lehman Brothers, which began the global financial breakdown of 2008–09.

The newspaper published multiple articles warning that another crash is inevitable and that it would likely be even worse for international and Australian capitalism, because of the escalation of financial and household debt, the intensifying US-China economic war and the collapse of cooperation between the major economic and military powers.

Significantly, the edition’s accompanying editorial also sounded an alarm on the state of Australia’s political system, describing it as “shaken and fraying on the extremes” and “dysfunctional, producing five prime ministers in as many years.” Moreover, “declining loyalty has drained the political parties of meaning.”

Behind the backs of the working class, the corporate and financial ruling class is discussing the likelihood of a catastrophic economic failure that will unleash social suffering and class conflicts that the existing political system will not be able to contain.

This provides a further insight into the factional warfare that led to the ouster of Prime Minister Malcolm Turnbull last month and which is tearing apart the Liberal-National Coalition, one of the two pillars—with the Labor Party—of capitalist rule since World War II.

The prospect of a financial meltdown and an all-out trade war is propelling a drive to refashion the Liberal Party and the political establishment as a whole along extreme right-wing authoritarian, nationalist and xenophobic lines to divert and suppress the anticipated eruption of working class and political unrest.

Writing from Washington, the financial newspaper’s economics correspondent Jacob Greber gave a sense of the discussions underway about the fragile state of the world economy. “While the next crisis is unlikely to be a repeat of the GFC [global financial crisis], it will almost certainly echo,” he wrote. “The triggers will be different, and are by definition unknowable. But it will be just as scary and just as sudden when it finally bites.”

Despite Greber’s remarkable admission that the source of the next crisis would be “unknowable” as far as corporate analysts are concerned, he listed factors that were likely to make the coming meltdown even more “scary” and “sudden” than the GFC.

“[M]any of the things that came together in 2008 to prevent another Great Depression may not be available next time,” Greber noted. These included the “unprecedented cooperation between the world’s central banks” and China’s willingness to help bail out the US financial system. Today, President Donald Trump’s “America first” approach had thrown that into “serious doubt.”

Greber also referred to the bipartisan agreement of the US Congress in 2008 to inject hundreds of billions of dollars into the financial markets to stabilise the banks, followed by other “unconventional” measures. These featured record low interest rates and the pumping of billions more dollars into the hands of the financial oligarchs via “quantitative easing.”

Greber cited a warning by *Wall Street Journal* economics commentator Greg Ip that “polarisation, populism and protectionism” would mean “far less political will” in a now “dysfunctional” Washington to deal with the crisis. These references primarily related to the instability triggered by the Trump administration, but it was the preceding eight years of the Obama

White House that saw the burden of the collapse imposed on the working class, via the destruction of jobs and cuts to wages.

Making a parallel warning, the *Australian Financial Review* editorial voiced concern about the "deepening distrust" in "politics, business and even media." In Australia, as in the US, the political elite displayed complete unity in propping up the banks and finance houses at the expense of workers' jobs and conditions.

Among the voices warning of the potential consequences of the next crisis are Kevin Rudd and Wayne Swan, the prime minister and treasurer in the last Labor government, who boast of "saving the banks" in 2008–09 by guaranteeing their borrowings and deposits and providing $42 billion in economic stimulus packages to spur retail spending.

Together with the much larger stimulus provided by the Chinese regime, which boosted Australian mining exports for several years, these measures averted a crash. However, the record profits of the banks and corporations went hand in hand with an intensified offensive against workers' jobs and living standards.

Moreover, the bonanza handed to the finance houses by the Labor government, combined with record low official interest rates, fuelled a speculative property bubble that sent house prices soaring.

Prices are now declining, under conditions in which Australian households are now saddled with some of the highest mortgage debts in the world—exceeding 200 percent of disposable income. Falling house values, stagnant wages and rising interest rates threaten to cause immense financial stress that could see many lose their homes.

On average, house prices in Sydney, the most expensive city, have dropped 6 percent since last September and forecasts of future falls range up to 40 percent. One forward indicator, housing finance, is 8.3 percent below last year's peak. Investor loans, which rose to 40 percent of the total and fuelled the bubble, have decreased by 28 percent since 2015.

Overshadowing these indicators are escalating measures by Washington, including punitive tariffs on Chinese imports, to prevent China from challenging US supremacy. Any major economic crisis in China, Australian capitalism's largest export market, will have vast implications.

According to the Reserve Bank of Australia's typically downplayed September board minutes, "members observed that there were still significant tensions around global trade policy and that this represented a material risk to the outlook."

In recent weeks already, the leading Australian share market index has fallen from near 6,400 to below 6,200, and the Australian dollar has dropped and wavered around 71 to 72 US cents, a far cry from its peak above the US dollar in 2012.

Given the uncertainty, the central bank left its official cash rate unchanged at 1.5 percent, where it has sat for more than two years, but warned that the next move is likely to be up. Any such move, even by 0.5 points, would see millions of households trapped in debt, unable to pay their mortgages as house values fall.

Increasingly, corporate media commentators are calling into question the ability of the Liberal-National government, currently headed by Scott Morrison, to deal with the mounting social tensions and political disaffection. In the same edition of the *Australian Financial Review*, Australian Broadcasting Corporation political correspondent Laura Tingle said the Morrison government offered only the prospect of a "depressing circus for some time to come."

With the Coalition wracked by political rifts, the Labor Party could lead the next government. But its role would be to try to shore up the profit system by handouts to the financial oligarchy and deepening the assault on the jobs and conditions of the working class, as the last Labor government did from 2007 to 2013.