

Trade war, economic crisis and the Australian election

Nick Beams
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Elections in so-called capitalist democracies are always marked by the efforts of politicians of all stripes to cover over the real situation confronting the working class and the mass of the population more broadly. The current Australian election to be held on May 3 is taking this practice of deception to new lows.

Parliamentary democracy in capitalist society inherently involves deception, not because of the nature of the political leaders of the various parties, but from the very structure of society. Its central myth, on which all the other deceptions are based, is that somehow elections express the “will of the people,” which is enacted by whatever government is returned.

Nothing could be further from the truth. The art of bourgeois politics is always about interpreting the demands of the real rulers of society—the corporations, banks, financial institutions and international capital—and developing the governmental mechanisms whereby they can be implemented.

The mass of the population is involved in these considerations, but only insofar as methods can be devised to fool them, to obscure from view the real situation and the real interests which, whatever government is brought to office, will serve.

Those who are most adept at this get to rise to the position of prime minister, treasurer or some cabinet post.

In the current Australian election, the practice of deception centres on trying to cover up the global economic conditions—the breakdown of the entire capitalist order—under which it is being held.

The events of the past weeks, since Trump’s “liberation day” on April 2, reveal this breakdown. Under the banner of “reciprocal tariffs,” he launched an economic war against the rest of the world.

It has been directed above all against China, the world’s number two economy with the tariff against its goods lifted to 145 percent, virtually excluding it from the American market.

But the issues at stake extend well beyond the conflict with China. The entire post-war framework governing trade, economic relations and finance has been shattered.

As a recent comment in the London-based *Financial Times*, the world’s leading financial newspaper, put it: “No one doubts at this point President Donald Trump’s intention is to tear

down the international economic system that the United States fostered since the end of the second world war. The confusion is about what might replace it.”

The answer to that question is, in fact, already known. Under the capitalist system it will be a return to the conditions that prevailed in the 1930s when the world was divided into rival blocs waging economic war against each other, coupled with the rise of fascist and authoritarian regimes, creating the condition for World War II.

Not only are trading relations breaking apart, but the tariff war has also called into question the very foundations of the global financial system. It was based on the strength of the US dollar and confidence that whenever there was financial turmoil, US Treasury bonds would provide a safe haven.

The tariff war has been accompanied by a selloff in the bond market and the fall in the value of the dollar accompanied, even more significantly, by the realisation in global financial markets that rather than providing a source of stability, the US is the greatest source of instability and crisis.

But these issues, concerning the future of every person on the planet, and no less in Australia, are systematically excluded from the election campaign by all the parties and a compliant mass media.

Of course, the capitalist politicians do have to refer to the deepening crisis of the global economy. But when they do so it is only in passing, treating it merely as a backdrop, as they quickly move on to the promotion of the fictions and the spinning of the illusions that are their stock in trade.

A graphic example was in the March 25 budget speech of Labor Treasurer Jim Chalmers, which set the tone for Labor’s campaign when the election was announced three days later.

After a brief acknowledgement of the worsening international economic outlook, Chalmers declared that while the country was not immune from global pressures, Australia was “among the best placed to handle them” and was emerging “in better shape” than almost “any other advanced economy.”

A so-called “soft landing,” which he said the government had been “planning and preparing for, was “looking more likely.” Chalmers stated that “the worst is behind us and the economy is now heading in the right direction.”

Reality, however, has a way of intervening and in this case

very rapidly and forcefully. Just one week after Chalmers' speech, Trump dropped his "reciprocal tariff" bombshell and started the escalation of tariffs against China.

But that did not stop the nationalist illusion-mongering. Australia was not subject to "reciprocal tariffs" but only to the 10 percent hike imposed on those countries not so targeted. Thus, according to Prime Minister Albanese: "There's no doubt that there's no one that's got a better deal."

But on the economic war against China, the leading export market for Australian capitalism, and its implications there has been radio silence.

China is the leading trading partner of Australian capitalism, taking around 30 percent of the country's exports, comprising iron ore, coal and natural gas as well as some agricultural products such as beef and wine. It has been estimated that the tariff war against China could slice as much as 2 percent, possibly more from its growth rate, which is already down to 5 percent, the lowest in three decades.

In 2022?23, covering its first two years, the Albanese government collected a record \$74 billion from the mining sector through taxes and royalties, which provided the basis for a budget surplus. But the move into the black proved to be short-lived and deficits are now projected as far as the eye can see, with total government debt set to top \$1 trillion.

The fiction of Australian exceptionalism, the notion that this country is somehow "best placed" among all the major economies, is even more graphically exposed on the financial front.

The official doctrine is that the Australian banking and financial system is sound and well-regulated, even resilient, and therefore capable of withstanding the storms unleashed in the global financial system.

But there is no economy more exposed to international capital flows.

Foreign investors hold between 50 and 60 percent of Australian government bonds as the debt mountain grows. International investors, who can shift money around the world at the press of a computer button, hold between 30?40 percent of total market capitalisation.

The much vaunted "sound" banking system is no less impacted by the global financial flows. In their daily operations banks rely on international markets for up to 25 percent of their funds. If this flow ceases for any reason, they are hit with an immediate liquidity crisis, which can rapidly render them insolvent.

This is not a matter of conjecture but of historical experience. It has already happened.

In early October 2008, in the immediate aftermath of the onset of the global financial crisis sparked by the collapse of the US investment bank Lehman Brothers on September 15, traders at Australian banks who tap international markets every night for funds suddenly found that none were available.

Major banks, including the big four, were faced with the

prospect of bankruptcy within days.

In his account of those events which emerged on the morning of Friday October 10, the then Labor Prime Minister Kevin Rudd, wrote: "We were particularly worried about three Australian banks—two second tier, one first tier—as we developed a range of contingency plans to prevent the collapse."

"We were sitting on the edge of a crisis of confidence which could turn into a run on one or other of the banks when they opened for business on Monday."

The crisis was only averted at that time because the government stepped forward as the guarantor for the banking system.

What has happened since then? The international financial system has not stabilised. Rather its maladies, irresolvable within the framework of the capitalist profit system, have deepened, exemplified by the growing lack of confidence in the US Treasury bond market, as US government debt powers to \$36 trillion and beyond.

The question posed before the working class is what way forward? What program must it advance and fight for in the face of a deepening crisis and breakdown of world capitalism which has every country, including the most powerful, the United States, firmly in its grip?

It cannot be a return to the so-called national hearth—the development of some kind of nationalist agenda. That is the road to disaster—to depression, fascism and war—as the 1930s so clearly demonstrated.

A global crisis, which is already bringing the return of those conditions demands not a national but a global solution. That is the unification of the international working class on the perspective of world socialist revolution which the SEP, as a section of the International Committee of the Fourth International, is fighting for in this election campaign.

It is the only viable and indeed practical program of the day. But it requires forces who will actively fight for it. That is why we are calling on all workers and youth who want to fight for a world free of poverty, war and fascism, to not only support our campaign in every way possible but to join the SEP.

Authorised by Cheryl Crisp for the Socialist Equality Party, Level 1/457-459 Elizabeth Street, Surry Hills, NSW, 2010, Australia.



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