

# Australian capitalism embroiled ever deeper in developing global crisis

Nick Beams

25 November 2025

The Australian economy and financial system are being drawn ever more rapidly into the gathering storm in international markets, according to warnings from some leading figures in the financial world.

The warnings are not making front-page news, but they are being discussed and closely followed in the financial press.

Last week, the *Australian Financial Review* (AFR) directed attention to a major speech in Canberra by Heather Smith, a former economic official and now a company director, in which she warned that the seeds of another global financial crisis were being sown.

Smith had a 20-year public service career which began at the Reserve Bank, time in senior positions in the Treasury, and the Office of National Intelligence, and culminating in being secretary of the Department of Industry, Innovation and Science before moving into the private sector.

Her speech was described by the AFR as a wakeup call in the face of a significant underestimation in business circles and more broadly of the most difficult international environment since the end of World War 2.

According to the report, the dangers she cited included the trade war between the US and China, a retreat by the US from the international institutions it had created, the rise of nationalist populism, a ruthless China, unsustainable US debt, Trump's attacks on the independence of the US Federal Reserve, a potential bubble in AI stocks, the undermining of the position of the dollar as the global reserve currency and tensions over Taiwan.

"To say that Australia is not well positioned for this world is an understatement," she said.

"All of the institutions that matter to us are being disrupted and all at once. In my view we simply have not laid the foundations to be able to exist in this volatile and uncertain world where we are dancing on the head of a pin."

She warned that global equity markets had been "stunningly indifferent" to the assault by Trump on the institutions and policy frameworks that underpinned their very existence and success.

"With US public debt at its highest since WWII, and the

'big, beautiful bill,' that contains no real growth-enhancing initiatives but which erodes US fiscal sustainability, [this] should be raising alarm bells as to whether the foundations are being laid for the next global financial crisis."

Like others, Smith directed attention to the \$30 trillion US Treasury market, the bedrock of the US and global financial system, and its capacity to absorb ever increasing debt.

"The key risk is liquidity stress in government bond markets if a future auction sees demand fall short of supply, spiking bond yields with higher interest costs for the US borrowers. This would undermine confidence in the US Treasury market, creating large-scale disruption to global financial markets, interest and exchange rates."

Pointing to the breakdown of the entire post-war order, she noted that as the risks of a crisis were rising, the global ability to respond was decreasing and Australia was increasingly exposed in this world, in particular because of the conflict between the US, its ally and largest investor and China, its largest trading partner.

"The diabolical choices that confront us of seemingly being caught in a pincer movement between China and the US should be starting to dawn," she said. Australia was being caught in a "dangerous crossfire" as each looked to ways to disrupt the other's economy as revealed in the rare earths conflict and efforts to de-dollarise trade.

A similar warning has been sounded by Raphael Arndt, the head of the government-backed Future Fund set up in 2006. In its latest analysis, the Fund, which has \$261 billion in its portfolio, has warned that the world seems to be permanently on the edge of a crisis and that all the previous metrics which guided investment strategies have been disrupted.

In an article published in the AFR earlier this month, Arndt cited a number of events such as the pandemic, the Russian invasion of Ukraine, the rise of China, war in the Middle East, artificial intelligence and the return of protectionism which could be regarded as "inflection points."

"Rather than representing a crescendo, after which might

follow a resolution and clarity about the aftermath, each of these developments simply build on the previous one. Ultimately, we remained and still remain, seemingly poised on a perpetual inflection point—a permacrisis if you like.

“The weaponisation of trade, the persistence of inflation, climate shocks and a rising cost of capital—these all have tested the very assumptions that underpin investment theory: the free flow of trade and capital, low and stable interest rates.”

In a clear sign of the growing concern about the stability of the international finance system based on the dollar, the Future Fund has invested \$1 billion in gold, describing it as a “store of value during periods of monetary inflation and geopolitical strategy.”

One of the conduits for the transmission of global turbulence is the increasing investments by Australian superannuation funds in the AI-induced surge on Wall Street.

According to a report in the AFR earlier this month, the largest Australian funds have invested more than \$143 billion of the retirement savings of their members—some 10 percent of their holdings—in US stocks which are exposed to the AI boom. The largest fund, AustralianSuper, has \$41.5 billion invested in the technology sector.

Despite the growing evidence and warnings to the contrary, the fund heads maintain that there is not a bubble in AI.

Notwithstanding these claims, losses have been incurred and hundreds of millions of dollars have been placed at risk. Three major funds AustralianSuper, HESTA and the Queensland government’s investment arm have been hit by the collapse this month of the major American solar power and battery storage company, Pine Gate Renewable, because they invested money in one of its major US backers—Generate Capital—and stand to lose \$275 million between them.

Pine Gate, which had raised \$7 billion since its founding in 2016, filed for bankruptcy citing the withdrawal of government support and tax breaks for green energy by the Trump administration. It also pointed to the “steep tariffs” that had been imposed under Trump “on virtually all imported materials necessary to construct utility-scale solar projects.”

It is not the first time AustralianSuper has incurred losses. In August last year it had to write off \$1 billion in loans and equity following the collapse of the online education firm Pluralsight.

These instances are just two graphic examples of the interconnectedness of the global economy and its financial system—a company in the US goes broke and the retirement funds of workers on the other side of the world are hit. There

are no longer national economies somehow sealed off from each other. Every company or financial firm, from the smallest to the largest, is a component of an integrated global system.

This objective economic and financial reality must determine the response of the working class to the looming prospect that global capitalism faces a plunge into a crisis far exceeding that of 2008.

The warnings from those in the top levels of the financial system make this clear and Australian capitalism is in no way isolated or exceptional.

But the nature of their warnings has a very definite class content. They continually speak of Australia as if it were a unified whole not a capitalist country, which like every other, is riven by ever-deeper divisions between the financial oligarchies and the mass of the working population.

Their responses to this looming crisis, as they speak of “we” and “us” and “our future,” express this deepening class divide as they advocate an intensification of the exploitation of the working class advanced in the name of increasing productivity, that is, greater profits.

As the International Monetary Fund called on the Australian government to undertake budget repair—the code phrase for major cuts in social spending as the outlays on the military increase—to make the economy more productive and resilient, Heather Smith sang from the same song sheet in her speech.

“We are yet to move the dial on productivity growth—our performance is second lowest in the OECD,” she said as she looked to the possibility of “comprehensive reform” in this area.

The working class must take the warnings, direct from the horse’s mouth so to speak, seriously.

It must base its response on objective reality, rejecting the reactionary nationalist nostrums advanced by the capitalist parties and the trade union bureaucracy, along with their pseudo-left appendages. The global crisis means there is no national solution—all such roads are based on the interests of the ruling capitalist oligarchy and lead to a disaster for the working class. It must fight for its own independent needs and interests which can only be met through the political struggle for an internationalist socialist program.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](https://wsws.org/contact)**