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World economy in meltdown - we won't pay for capitalist crisis

In a recent address to the Canadian parliament, David Cameron bluntly said: "Growth in Europe is stalled. Growth in America has stalled. The effects of the Japanese earthquake, high oil and food prices have created a drag on growth. We're not quite staring down the barrel, but the pattern is clear".

Global trade has started to sink. Stock markets have fallen. Even the Chinese economy is slowing, with a contraction of manufacturing activity for the third successive month in September.

"I have not been at a prior meeting at which matters have had more gravity", remarked Obama's former chief economic advisor, Larry Summers, while attending his 20th annual IMF meeting on 23-25 September in Washington. Yet the G20 finance ministers were too divided at the meeting to agree on what to do.

The danger is real of a 1937-style slide into a global economic slump unless governments and central banks rapidly implement measures to prevent or postpone it.

Futhermore, leading economists admit that even if recession is staved off, the prognosis is not one of good growth rates in Europe, the US or Japan; rather an ongoing 'stalling' or sluggish growth for the foreseeable future.

Eurozone

Within this overall situation is the eurozone crisis, described during the IMF meetings as the "most serious risk now confronting the world economy" by US treasury secretary Tim Geithner.

However, European finance ministers tried

in vain in Washington to formulate a new package of measures to rescue the eurozone. With the certainty of Greece defaulting at some stage on its mountain of debt, they are desperate to lessen the knock-on effect on banks and governments elsewhere. Fears have escalated of contagion spreading to heavy 'sovereign borrowers' like Spain and Italy, considered 'too big to bail', and on banks in France and Germany that are exposed to the debts of these countries as well as to Greek debt.

Italy has debts of €2.3 trillion, but the 'European financial stability facility' (EFSF) contains just €440 billion. There are proposals to increase the EFSF funds to over €2 trillion.

But incredibly, as if economies the world over haven't been burnt enough by financial manipulations that mask reality, these proposals include making the facility's funds appear to be four or five times larger by using leveraging devices - in particular by borrowing via the European Central Bank.

This would be a smokescreen for a route yet again towards making working class and middle class people pay for the economic crisis, through drawing on public money.

In addition, more public money may be injected into at-risk eurozone banks, as previous bailouts have not handed the banks a healthy enough ratio of cash assets relative to their debts. This would be to try to prevent the money markets from suddenly cutting off funding to some banks - the scenario of 2007 when inter-bank lending dried up.

Also, a third measure is being considered, a further write-down of Greek debt beyond the 21% agreed in July.

However, some governments have still to ratify the July deal - the German Bundestag votes on it this week. Moreover it is clear, even before that action is implemented, that it is inadequate.

European ministers have discussed writing off 50% of Greek debt, passing further losses to European banks and taxpayers. German workers, who would be expected to bear the greatest burden of this and other measures, are understandably mostly against it and are applying great pressure, restricting the room to manoeuvre of German prime minister Angela Merkel.

Workers' struggles

Workers both inside and outside the eurozone are being forced by their ruling classes to pay the price of the economic crisis. Greek workers have suffered a massive onslaught of austerity, British workers are facing unprecedented cuts in jobs and services, and so the list goes on across Europe and indeed the world.

But Wolfgang Munchau asked in the FT: "Do we really believe the Greek government can implement one austerity plan after another with a majority of five seats?" - and we can add: 'with massive workers' opposition?'

"The global economy appears to be rudderless", noted the economics editor of the Times. But the markets are not mysterious, supernatural phenomena to which there is no alternative. As many commentators in the media admit, this is a crisis of capitalism, a period in which the debt levels of households, banks and governments have impacted heavily on demand for goods, so there are fewer profitable outlets for manufacturers.



photo Paul Mattsson

This is a drawn-out agony that working class people do not have to accept. There have already been major struggles, such as the eleven general strikes in Greece, and many more battles will come that can force governments back from their attacks.

Alongside this fight, the crying need for an alternative form of society will be increasingly recognised, a socialist one with public ownership and planning of financial institutions and the main parts of the economy, under full, genuinely democratic control.

See page 13 for interview with Greek socialist

Pro-business Labour offers crumbs and promises cuts Urgent: Build a new mass workers' party

Across Britain public sector trade unionists are preparing to go on strike on 30 November, in the biggest day of strike action since 1926.

This week the leaders of the biggest public sector trade unions have been at the Labour Party conference. In 2011 the trade unions affiliated to Labour have provided it with three quarters of its funding. One union alone - Unite - donated a quarter of all money received. This is the exact opposite of 'he who pays the piper calls the tune'.

At the conference, Dave Prentis, general secretary of the biggest public sector trade union - Unison - called on the Labour leadership to back the strike, saying: "It's no time to sit on the fence when this country faces a stark choice between taking on the powerful and privileged, or letting the price be paid by the poor and the powerless."

Miliband responded by repeating his condemnation of the 30 June strike, and refusing to give support to the strike action in November despite being under huge pressure on the issue. This pressure was shown when Harriet Harman, deputy leader of the party, said that Labour would support the strikes if the government remained 'unreasonable'.

In addition, Ed Balls, shadow chancellor made it clear that a Labour government would also slash public sector workers' pension rights - by increasing contributions and raising the retirement age.

Labour's failure to represent working class people has never been starker than it is today. As capitalism lurches into a deeper crisis, and the living standards of the majority

fall more than at any time since the 1920s, the majority of society - the working class - desperately needs a mass party that stands up for its interests.

Miliband declared in his speech that "all parties must be pro-business today" and Labour, under his leadership, is a continuation of the pro-big business policies of Labour in Brown and Blair's governments. He explicitly supported the Tories' anti-trade union laws and opposed any return to taxing the rich at 1970s levels.

Liverpool socialists attacked

It is true that Ed Balls promised a few crumbs for working class people - a cut in VAT, 100,000 jobs for young people and 25,000 affordable homes.

These promises will be welcomed by workers but when there are a million young people unemployed and five million people desperate for social housing, they are a very small drop in a very big ocean. Between 1949 and 1954 there was a yearly average of 230,000 council houses built in Britain.

From 1983 and 1987 one Labour council, in Liverpool, led by the Militant (now the Socialist Party) refused to make cuts, taking on and defeating the then Tory government.

That Labour council built or renovated over 8,000 council houses and created more than 16,000 jobs. Job creation and house building and renovation on that scale and more are needed across Britain.

Yet Miliband began his speech by attacking the 1983-87 Liverpool Labour council and

implicitly praising the current Liverpool Labour council that has, along with every other Labour council in the country, implemented millions of pounds worth of cuts in public services.

Miliband resorted to 'populist' promises that people in work will have priority for social housing over the unemployed. This is a recipe for division - encouraging working class people to fight among themselves for scarce resources - and is a disgusting policy.

As a result of the economic crisis there are 2.5 million, and rising, unemployed in Britain. Unemployment leads to such desperation, not least the fear of homelessness, that it increases the risk of suicide threefold.

Yet Miliband is saying that workers like those laid off this week at BAe, or the sailors made redundant from the Navy, should have insult added to injury by being put to the bottom of the enormous queue for social housing.

And while Ed Balls said that Britain faces a 'lost decade of economic stagnation' and rightly argued against "piling austerity on austerity, tax rise upon tax rise, and cut upon cut", he combined this with making it clear that Labour would not promise to reverse the Tories cuts and austerity if it came to power, and would carry out more of its own.

Killing off democracy

The proposal to cut the cap on university tuition fees from £9,000 to £6,000 sums up Labour's promises - the Con-Dems have cut your whole leg off, Labour would leave you a stump!

The democratic structures, through which the working class was able to influence the Labour Party in the past, have long since been destroyed. At this conference most of the few remnants of the structures were dynamited.

The 'Refounding Labour' document was railroaded through the conference with no discussion. After the top-table's refusal to have a discussion on it, even a Financial Times columnist concluded, "whoever's in charge, it can't be the delegates!"

Elections to the shadow cabinet have now been abolished and steps taken towards dissolving the party structures altogether in a US-style primary system where non-party members have the power to take decisions.

The leaders of the affiliated unions may claim that they influenced the Refounding Labour document because the weight given to non-members is less than originally proposed, and it is spread evenly across the electoral college, rather than cutting only into the trade union vote.

This, however, does not alter the fact that this conference put yet another nail in the, already well-nailed down, coffin of Labour Party democracy.

Public sector workers are preparing to show their strength industrially and on the streets on 30 November. In the last strike, on 30 June, the biggest boos were reserved for Miliband's condemnation of the strike.

The same will be true on 30 November. The need for the trade unions to begin to found their own party - a party which stands in workers' interests - will be urgently posed.