

# The Historical and International Foundations of the Socialist Equality Party (Australia)—Part 1

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*The World Socialist Web Site has published The Historical and International Foundations of the Socialist Equality Party (Australia). The document was adopted unanimously at the party's founding congress in Sydney on January 21–25. (See: "Socialist Equality Party (Australia) holds founding Congress"). (Click here for Parts 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11)*

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## Capitalist breakdown and the founding of the Socialist Equality Party

1. The founding congress of the Socialist Equality Party, the Australian section of the International Committee of the Fourth International (ICFI), takes place in the aftermath of the founding congress of the SEP in the United States and in conjunction with founding congresses being conducted by the sections of the ICFI in Europe and South Asia. The ICFI, the world Trotskyist movement, is the only political party seeking to provide the international working class with the program and organisation necessary to overthrow the outmoded capitalist system and ensure the future development of humanity on the basis of international socialism. These common initiatives are the response of the ICFI to the breakdown of world capitalism ushered in by the global financial and economic crisis that began in 2007–2008 and the new period of wars and revolutionary struggles that has opened up. They are grounded on the historical lessons of the strategic experiences of the international working class extracted by the international socialist movement over more than a century of struggle.

2. All the contradictions that wracked the capitalist system in the 20<sup>th</sup> century and gave rise to mass unemployment, fascism and war have reached a new peak of intensity in the opening decade of the 21<sup>st</sup>. Assuming ever more malignant forms, these contradictions derive from the irresolvable conflict between the global economy and the nation-state system and between socialised production and the private ownership of the means of production. They have created the objective conditions for the overthrow of capitalism by the international working class.

3. The same contradictions underlie the new dangers posed by climate change. These dangers cannot be seriously tackled, let alone resolved, within the framework of the capitalist system, where corporate profit dominates over human needs and the conflicting interests of rival nation-states make impossible the rational re-organisation of the world economy.

4. The predecessor of the SEP, the Socialist Labour League (SLL), was founded as the Australian section of the ICFI in 1972. The ICFI's orientation to the resolution of the crisis of leadership of the working class, and its principled struggle against Stalinism, reformism and petty-bourgeois radicalism, won to its ranks workers and young people in Europe, the US, Asia and Australia who had been radicalised by the revolutionary upsurge of the working class in the 1960s and 1970s. Now, almost four decades on, the founding of the SEP is being undertaken to

meet the tasks posed by a new period of revolutionary upheaval.

5. The strategy of the SEP is grounded on the objective logic of the world crisis of capitalism. Its fundamental task is to politically prepare the working class, develop its socialist consciousness and build a new mass revolutionary party. This will only take place in opposition to the various petty-bourgeois tendencies that seek to subordinate the working class to the decaying and treacherous trade unions, and the remnants of the social democratic and Stalinist apparatus, and thereby to the capitalist order itself. The open disavowal by the French Pabliste organisation, the Ligue Communiste Révolutionnaire (LCR), of any connection with a revolutionary socialist program, its rejection of Trotskyism and repudiation of internationalism in order to dissolve itself into the so-called "New Anti-Capitalist Party" (NPA), is being heralded by all the organisations of the petty-bourgeois ex-"left" as their model.

6. Throughout the history of the Australian workers' movement, the Labor and trade union bureaucracies, together with the various ex-radical organisations, have promoted the myth of Australian exceptionalism as a counter to the development of socialist consciousness. In the latter part of the 19<sup>th</sup> century and the early part of the 20<sup>th</sup>, they characterised Australia as the "workingman's paradise", where the laws of the class struggle did not apply. Today, in the midst of the greatest economic and financial crisis in three-quarters of a century, the illusion is once again being promoted that Australia is "exceptional" and has "weathered" the storm. While the first phase of the global financial crisis that began in 2007–2008 has passed, neither the world economy nor Australian capitalism can return to the past. A vast "restructuring" of economic and class relations is underway on a global scale that will propel the working class into political struggle. In its perspectives resolution *The World Capitalist Crisis and the Tasks of the Fourth International*, published in 1988, the ICFI made clear the tasks posed by the coming upheavals: "[N]o struggle against the ruling class in any country can produce enduring advances for the working class, let alone prepare its final emancipation, unless it is based on an international strategy aimed at the worldwide mobilization of the proletariat against the capitalist system. This necessary unification of the working class can only be achieved through the construction of a genuine international proletarian, i.e., revolutionary, party. Only one such party, the product of decades of unrelenting ideological and political struggle, exists. It is the Fourth International, founded by Leon Trotsky in 1938, and led today by the International Committee." [1]

## The financial crash of 2007–2008

7. The financial crash of 2007–2008 was not a conjunctural downturn from which there will be a return to the status quo ante. Rather, the breakdown is the form through which a massive restructuring of world capitalism is taking place, affecting social and political relations within

every country, and relations between the major capitalist powers. It can be resolved only on a capitalist or a socialist basis. The capitalist solution involves a drastic lowering of the living standards of the working class, together with the development of repressive and dictatorial forms of rule. At the same time, the intensified struggle for markets, profits and resources threatens the eruption of a third imperialist world war. The socialist solution requires the taking of political power by the working class and the establishment of genuine public ownership and democratic control of all industrial, financial and natural resources. This will form the basis for the development of a planned global economy, organised to meet the needs of society as a whole.

8. The form of the crisis—the crash of the US financial system—is not accidental. It marks a qualitative turn in the economic decline of the United States—a process extending back to the end of the post-war boom at the beginning of the 1970s. This transformation has far-reaching implications. For decades its economic strength enabled American capitalism to function as the chief stabiliser of the global capitalist order. Today it is the chief source of instability. Writing in 1928, when American imperialism was still ascendant, Leon Trotsky pointed to the consequences of its inevitable decline: “In the period of crisis the hegemony of the United States will operate more completely, more openly, and more ruthlessly than in the period of boom. The United States will seek to overcome and extricate herself from her difficulties and maladies primarily at the expense of Europe, regardless of whether this occurs in Asia, Canada, South America, Australia, or Europe itself, or whether this takes place peacefully or through war.”[2]

9. Twenty years ago, the bourgeoisie and its spokesmen hailed the collapse of the Soviet Union and the Eastern European Stalinist regimes as the dawn of a new era of capitalist development. Never has such a political perspective been so decisively and rapidly refuted. As the ICFI explained in February 1990, just three months after the fall of the Berlin Wall: “The disintegration of the Eastern European regimes cannot be explained apart from the development of world economy as a whole. The social upheavals in Eastern Europe reveal not only the crisis of Stalinism; they are the most advanced political expression of the general crisis of world imperialism. ... The collapse of these regimes signals the breakdown of the entire postwar order.”[3] That analysis stands completely vindicated.

10. Far from presiding over a new period of peace and prosperity, the United States seized upon the demise of the Soviet Union as an opportunity to use its military superiority to counter its relative economic decline. From the 1990–01 Gulf War onwards, US imperialism has initiated a series of wars, with the aim of bolstering its position on the Eurasian land mass and securing control of natural resources—above all oil and gas. The terrorist attack of September 11, 2001 has been the pretext for a continuing and expanding military offensive—the invasion of Afghanistan in 2001, followed by the war against Iraq in 2003 and now the Obama administration’s intensification of the war in Afghanistan and Pakistan. The US military’s continued offensives resemble nothing so much as the actions in the 1930s of the Nazi regime, which launched a series of military provocations to secure access to raw materials and markets, in order to enhance the position of German imperialism against its rivals.

11. The present international situation recalls Lenin’s analysis during World War I. There could be no permanent peace under capitalism, he insisted, because the relative position of the imperialist powers was continually changing, due to the uneven development of the capitalist economy itself. Consequently, any general alliance embracing all the imperialist powers was “inevitably nothing more than a ‘truce’ in periods between wars.” The era of relative post-war stability and the so-called “Western alliance” was grounded on the overwhelming economic and military supremacy of the United States, the victor in World War II. Now

the balance of forces has changed. US imperialism not only faces its old rivals in Europe and Asia, but the rise of new ones, in particular China and India. A series of flashpoints has developed in East and Central Asia, the Middle East, in Africa and around the Indian Ocean as the interests of the different regional and global powers collide. Furthermore, the ending of the Cold War has removed the political mechanisms that suppressed the conflicts among the rival European imperialist powers that led to two world wars.

12. The global financial crash of 2007–2008 set in motion an economic decline on a scale not seen since the collapse of the 1930s. In the first months of 2009 world equity markets, industrial production and world trade fell at a faster rate than in the corresponding period of the Great Depression. The collapse has only been slowed by an unprecedented economic and financial bailout, organised by the major capitalist governments. All told, the bailout amounts to 30 percent of their gross domestic product—in Britain, the figure is at least two-thirds of GDP, while in the US, total government commitment to the banks and other financial institutions amounts to a staggering \$23.7 trillion, more than 150 percent of GDP. The US Federal Reserve is estimated to have pumped around \$3 trillion into the financial system. But, notwithstanding the greatest mobilisation of financial resources in the history of world capitalism, none of the underlying contradictions that gave rise to the financial meltdown has been overcome.

13. The revolutionary significance of this crisis can only be grasped through an examination of the historical development of capitalism out of which it has emerged. The 20<sup>th</sup> century began with celebrations and the promise of peace and prosperity, under conditions where the growth and spread of capitalism in the 19<sup>th</sup> century had driven extraordinary economic development. However, the outbreak of World War I in 1914 rapidly shattered the illusions of the *belle époque*. Years of depression, fascism and economic crisis followed, culminating in the eruption of a second imperialist war in 1939, even more destructive than the first. The capitalist system survived, not through any inherent strength, but only because the revolutionary strivings of the working class were betrayed, first by social democracy and then by the Stalinist bureaucracy in the USSR and the Stalinist Communist parties around the world. Only after the deaths of 90 million people in two world wars and untold destruction of the productive forces was the bourgeoisie, under the leadership of US imperialism, able to establish a new economic and political equilibrium.

14. But the very economic expansion made possible by this equilibrium created the conditions for its disruption. The recovery of European and Japanese capitalism, vital for the American economy’s prosperity, undermined the latter’s predominance. In August 1971, US President Nixon removed the US dollar’s gold backing, leading to the demise of the post-war Bretton Woods monetary system and the deep recession of 1974–75. This signaled the end of the post-war boom. At the same time, world capitalism was shaken by a revolutionary upsurge of the working class in the period 1968–75. It only survived because of the collaboration of the social democratic and Stalinist leaderships, assisted now by the forces of Pabloite revisionism that had repudiated the program of the Fourth International and subordinated the working class to its old national-based parties and trade unions.

15. Having restabilised its political rule, the bourgeoisie, under the leadership of the US, responded to the economic crises of the 1970s through a far-reaching economic restructuring, combined with a ruthless offensive against the working class. The globalisation of production, which lay at the very centre of these measures, accelerated in the 1990s with increasing investments made in China and East Asia, along with the development of new production facilities. The result has been an expansion of the world working class on an unprecedented scale over the past three decades. The exploitation of cheap labour in China, India and East Asia by global capital, however, has not stabilised the world

economy. Rather, it has given rise to new, and explosive, contradictions. In the US, entire industries were destroyed as financialisation assumed a greater proportion of the economy. During the 1990s and into the new century, global financial imbalances increased as the US incurred mounting balance of payments deficits, which had to be financed by inflows of capital from East Asia—first from Japan and then from China. While the dollar has continued to function as the world currency, it is now the currency of the most indebted capitalist nation. On the one hand, the stability of global capital depends on the ability of the Chinese and other police-state regimes to suppress the multi-millioned working class, and so ensure the continuous flow of surplus value into the sclerotic arteries of the global financial system. On the other hand, the regimes in the cheap-labour countries depend on the continuous expansion of their exports to the world market to sustain rapid economic growth and thereby contain the mounting class contradictions that threaten to erupt at home.

16. The financial crisis that began in 2007–2008 was the outcome of the restructuring of the world economy that developed in response to the economic crises of the 1970s. The collapse of the Bretton Woods monetary system and the ending of fixed currency relationships meant there was no stable measure of value on a global scale. Financial derivatives were initially developed as an attempt to overcome this problem. But, like all other financial instruments in the history of capitalism, they became a new source of profit and speculation. Consequently the expansion of international financial transactions far exceeded the growth of international trade and investment. Moreover, the increasing outsourcing of production from the major capitalist countries, itself a result of the downturn in profit rates, meant that in these economies financial operations—trading in shares, debt, real estate and other financial assets—assumed an ever greater role in the accumulation of profit. The US economy, and with it the world economy as a whole, became increasingly dependent on speculative financial bubbles, as wealth accumulation was separated from production. The so-called sub-prime crisis, which began in 2007 and sparked the global breakdown, resulted from the efforts of the banks and Wall Street investment houses to gouge wealth from the poorest strata of the population. This was not some kind of infection afflicting an otherwise healthy financial system. It was the outcome of the financial mechanisms that had sustained US and world capitalism over the preceding three decades.

17. The response to the crisis by capitalist governments around the world is being driven by a relentless class logic, grounded in the greatest concentration of wealth and income in history. The rise and rise of financialisation and the staggering growth of social inequality has led to the atrophy of democratic forms. The world economy is dominated by a tiny financial elite that oversees the movement of trillions of dollars, affecting the livelihood and well-being of billions of people. The combined net worth of the world's richest individuals—the global billionaires—numbering around one thousand is almost twice that of the bottom 2.5 billion people. In other words, 0.000015 percent of the world's population owns twice as much as the poorest 40 percent. The richest 2 percent of the world's population owns half of the global wealth. The top 100 financial firms manage nearly \$43 trillion or around one-third of the world's total financial assets. A group of only a few thousand corporate executives is in charge of financial assets totaling \$100 trillion, or around two-thirds of the world's total.

18. Demands for economic and social reform are everywhere blocked by this immense concentration of wealth at the very heights of society. The entire political system is subordinated to the power of entrenched financial elites. Just as reform of the *ancien régime* proved impossible in France due to the domination of the nobility and feudal-landowning class, requiring a social revolution in 1789 to open the way for the modern age, so there can be no rational re-organisation of society today except through the overthrow of the present social order by the international working

class. This is underscored by the past year's events. Despite the greatest financial crisis in 75 years and the exposure of dubious and semi-criminal activities at the highest level, not a single executive has been brought to account. Moreover, the financial elites themselves have played a central role in drawing up proposals for the “reform” of the banking and financial system. The financial practices of the past 30 years continue as before, meaning that another crash is in the making. The plunder of resources continues unabated. The top five executives at the 20 financial firms that received the most bailout money from the US government were given a total of \$3.2 billion in compensation over the past three years. One hundred US workers would have to work for a thousand years to make as much as this group made in just three.

19. There is no set of socially neutral policies that can restore equilibrium to the world capitalist system. The working class must advance its own solution. It must draw the lessons of its strategic experiences, above all, of the international upsurge of 1968–75 when it was blocked from taking power, and of the bitter defeats that ensued in the 1980s. Those defeats had a profound historical and political significance. They revealed not only the treacherous character of the existing leaderships of the working class, but that the program of national reformism had lost all viability in the era of globalised production.

20. The past 20 years have seen a significant downturn in the class struggle as the bureaucratic apparatuses of the labour movement—the social democratic parties and the trade unions—have carried out the systematic suppression of all resistance to the demands of the profit system. Faced with the transformation of their old organisations into open agencies of the bourgeoisie, large sections of workers have sought individual solutions to make ends meet. Under conditions where this is no longer possible, new social struggles, which will increasingly assume far-reaching political dimensions, are beginning to develop. A new period of revolutionary upheaval is set to begin. The objective prerequisites for a revolutionary situation arise when economic development declines severely or goes into reverse, leading to systemic, rather than conjunctural, unemployment, and a continuous decline in social conditions. A revolutionary situation can only develop, however, when subjective conditions transform, that is, when a qualitative change occurs in the psychology and political outlook of the working class. That is now underway, as vast shifts in the political landscape—not least the collapse of the entire edifice of “free market” ideology built up over the past 30 years—create the conditions for the radicalisation of mass consciousness.

21. The founding congress of the SEP is the decisive preparation for the period that has opened up. It is laying the necessary foundations for the building of the mass revolutionary party of the working class. This party will be grounded on the historical and strategic experiences of the working class and the Fourth International, embodied in the document *The Historical & International Foundations of the Socialist Equality Party*, as adopted by the founding congress of the SEP (US) in 2008. As this resolution made clear: “Political agreement within the party on essential issues of program and tasks cannot be achieved without a common evaluation of the historical experiences of the 20<sup>th</sup> century and their central strategic lessons.”[4] The lessons extracted by the Trotskyist movement from the struggle for Marxism within the Australian working class over the past century form part of this crucial international experience. Only through their conscious assimilation can an independent socialist perspective for the working class be developed and a new revolutionary party be established and built.

*To be continued*

#### Footnotes:

1. *The World Capitalist Crisis and the Tasks of the Fourth International*, Perspectives Resolution of the International Committee of the Fourth International, Labor Publications, Detroit, 1988, pp. 7–8. [back]

2. Leon Trotsky, *The Third International after Lenin*, New Park, London, 1974, p. 8. [back]

3. 'The Breakdown of the Postwar Order and the Prospects for Socialist Revolution', *Fourth International*, vol. 18, no. 1, p. 228. [back]

4. *The Historical & International Foundations of the Socialist Equality Party*, Mehring Books, Oak Park, 2008, p. 2. [back]

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