

Mounting social struggles cast shadow over Davos economic summit

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The World Economic Forum (WEF), which concludes its annual summit meeting in Davos on Sunday, was set up more than 40 years ago to bring together business chiefs, government leaders and academics to provide ideas for the management of the world capitalist economy. For the first two decades of its existence, it functioned as just another think tank. It assumed its current global prominence only after the collapse of the Soviet Union 20 years ago.

As all sections of the political and economic establishment hailed the death of socialism, the final triumph of the “free market” and even the end of history, it appeared to the short-sighted ruling elites and their representatives that all the great economic and political issues had finally been resolved.

Throughout the 1990s and well into the first decade of the new century, it appeared that, whatever problems did arise, they were capable of resolution through the workings of the capitalist market. The WEF was a major source of such nostrums, hailing the market as the only rational economic system, even as regulations set in place in earlier times were being dismantled. Nothing, it insisted, should be allowed to stand in the way of the operations of global capital in its endless pursuit of profit.

These fictions were dealt a shattering blow with the collapse of Lehman Brothers in 2008, when it was revealed that, far from providing stability and economic advancement, the free market had plunged the world into the greatest economic crisis since the Great Depression of the 1930s, and that outright criminality lay at the heart of the supposedly “rules-based” financial system.

Still, it was claimed that though the free market had led to the crisis, it would nevertheless provide a solution.

Now a new factor has entered the scene—the

re-emergence of the international working class as exemplified in the Egyptian revolution and the ongoing social struggles around the world. Suddenly, after barely registering on the list of concerns of summit participants, inequality has this year been cited as the chief factor threatening political stability.

As with all previous ruling classes that became a barrier to historical progress, today’s capitalist elite, together with their mouthpieces in academia and the mass media, were so blinded by their own delusions that they completely failed to see the vast shift in social psychology that was taking place—the growing disillusionment of masses of people the world over with the present economic order.

Having been forced to now confront it, and desperate to try to restore the legitimacy of the capitalist system, the WEF organisers chose as the theme for this year’s summit “The Great Transformation: Shaping New Models.”

WEF chief and founder Klaus Schwab spoke of the “dystopia” of increasing poverty and ever-greater hardship being created by the present system. He warned of a “morality gap”—the accumulation of vast wealth for the top 1 percent and worsening conditions for the overwhelming majority—and the undermining of “social coherence.” He pointed to the “danger of completely losing the confidence of future generations.”

However, there is no new “model” for the capitalist economy—no John Maynard Keynes and no Roosevelt with a “New Deal” waiting in the wings. And even if there were, no reform plan aimed at curbing the depredations of international capital could be implemented. Such is the total dominance of global finance, aided and abetted by the deregulation of the past 30 years, that neither national governments nor international institutions such as the International

Monetary Fund set the agenda. Rather, their policies are dictated to them by the hedge funds, banks and other financial institutions.

The operations of the financial giants have two interrelated consequences. They intensify the conflicts between the major capitalist powers and fuel the class struggle.

At the Davos summit, national conflicts were on display from the outset. German Chancellor Angela Merkel opened the forum with a speech in which she point blank rejected growing international demands for Germany to provide additional bailout funds for European banks.

This brought a sharp response from billionaire financier George Soros, who warned that the “austerity Germany wants to impose will push Europe into a deflationary spiral,” creating a “very dangerous political dynamic.” Instead of pulling countries together, it would “drive them to mutual recrimination.”

Deep divisions within the European Union were on display when British Prime Minister David Cameron delivered his address. Speaking for the financial interests based in the City of London, he denounced the proposed introduction of a financial transactions tax by the euro zone governments as “quite simply madness.” The euro zone needed a central bank to stand behind the currency, he said. It also needed further economic integration and fiscal transfers, but had none of these.

Having no economic solution to the deepening social crisis, the ruling capitalist elites must resort to ever greater repressive measures against the working class at home while seeking to bolster their position against their international competitors. Despite the talk of a new “model,” this is the real agenda.

The scenario was set out by Soros in a recent interview with *Newsweek*. He said: “We are facing an extremely difficult time, comparable in many ways to the 1930s, the Great Depression. We are facing now a general retrenchment in the developed world, which threatens to put us in a decade or more of stagnation, or worse. The best-case scenario is a deflationary environment. The worst-case scenario is a collapse of the financial system.”

He warned that as the crisis in Europe worsened, it would hit the United States, bringing clashes in the streets and leading to a crackdown and “strong arm

tactics to maintain law and order” which could lead to a “repressive political system.”

In other words, there is no socially peaceful resolution to the crisis of global capitalism. The bourgeoisie has no way out other than war and repression. It is therefore imperative that the international working class, above all in the major capitalist countries, enter the political struggle, advancing its own socialist program based on the nationalisation of the banks, financial institutions and major industries, and fighting for the establishment of workers’ governments to implement it.

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