

# Socialist Resistance

*forum*

## Is the Crisis Over?

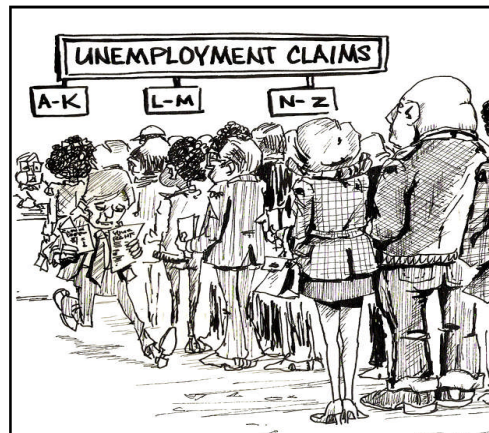
Speaker

*Raphie de Santos*

*- Scottish Socialist Party*

**Tuesday  
20th October  
7.30pm**

***Bennetts Bar,  
Bennetts Hill,  
Birmingham City  
Centre.***



**T**wo years after the credit crunch and one year after the collapse of Lehman's there is talk in the media that the biggest economic and financial crisis is over. Stock markets around the world have increased in value by over 40% since their low point in March 2009.

But the financial system globally remains badly polluted, with UK banks writing off 36 billion pounds of losses on the first half of 2009.

Consumer credit, which was the main driving force of the long period of economic expansion which started at the

beginning of the eighties, has collapsed and dried up. Of the near 150 billion pound that the Bank of England has pumped into the banking system - on top of the 150 billion that the government has used to bail out the banks - only about £2bn has flowed through to the consumer, mainly through mortgage loans giving a slight upward support to house prices. The rest is being held by the banks against future potential losses.

### **Western Economies**

In the US consumer credit is collapsing, with a fall of over 20 billion dollars from June to July of this year. Economists estimate that two thirds of the US economy is driven by consumer credit. The economies of the Japan, France and Germany – less polluted by the bank crisis – have seen a modest upturn in their economies. They have had more money to spend on stimulating spending. But new capital requirements for these countries will mean that their governments will have to spend more on bank bailouts in future. The banks in these countries have huge exposure to emerging market property bubble. However, inventories being restocked and the clash for clunkers scheme is seeing a one - off slight upturn in production in the major economies.

### **China**

In China a massive infrastructure spending programme and \$3 trillion of new consumer loans has technically kept it out of recession. But tens of millions have lost their jobs and much of the consumer loans have fuelled a property and stock market bubble.

### **Global Crisis**

Unlike the crisis of 1929 this financial one is global and much more complex. There is a ball and chain of debt hanging from the system of \$700 trillion of unregulated derivatives as well as ten of trillions of pounds of credit linked to houses, consumers, property speculation and corporate speculation. With overvalued stock markets there is the potential for another black autumn.

Governments worldwide have to raise billions of pounds to pay for the bailouts and quantitative easing programmes. In the UK they have spent 25% of our annual income (GDP). They are going to make us pay for this by cuts in public services, benefits and tax rises.

What demands should socialists put forward in these circumstances that can halt the financial crisis and create a just sustainable economy?

*Raphie de Santos*, an economist and member of the *Scottish Socialist Party* introduces such a discussion,

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