



World economy ? heading to a new upswing?

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[Note: the graphs and table only appear in the print version]

Many commentators have argued the worst of the crisis is over. Michael Pröbsting asks whether there are grounded reasons for this optimism and looks at the obstacles facing a new wave of expansion.

In the bourgeois media, reports of an upturn in the global economy are increasing. The task of Marxists is a scientific investigation of this question. In this, we must neither take a dogmatic, schematic position, suggesting that any recognition of an upturn necessarily contradicts the Marxist analysis of declining capitalism, nor an eclectic impressionist view that takes the assessments of bourgeois economists at face value. What is needed is a rigorous scientific investigation of the short-and long-term tendencies of the capitalist world economy from the standpoint of the working class, that is the point of view, which reveals the cyclical pattern of world economic trends on the internal collapse of capitalism and the impact of this on the proletarian class struggle. In the following, we focus our investigation on the imperialist metropolises which are at the heart of the global economy. However, it is necessary to point out that, although the world economy is dominated by imperialist capital, it is of course far more extensive than that. In particular, countries like China play a growing role in the global economy.

A brief sketch of the Marx's theory of the capitalist cycle

Let us start with a brief recapitulation of the Marxist theory of the capitalist economic cycle. The starting point is the recognition that there is a 'fundamental contradiction, whence arise all the contradictions in which our present-day society moves, and which modern industry brings to light.' in the following: 'Production has become a social act. Exchange and appropriation continue to be individual acts, the acts of individuals. The social product is appropriated by the individual capitalist.'¹ This contradiction, between the social character of the productive forces and production and the private, capitalist nature of the ownership of the means of production and the appropriation of what is produced, is the foundation on which the laws of development of capitalism and their inner contradictions develop. Production for profit leads to the steady accumulation of capital, a gradual replacement of living labour by dead labour, of human labour by machines. In Marx's terms, this is described as a steady decrease in the proportion of variable capital and an increase in the proportion of constant capital or an 'increasing organic composition of capital'. Since only the social work of the wage labourer creates value and, thus, also surplus value for the capitalist, there is a long-term tendency of the profit rate to fall. The contradiction between the social character of production and the capitalist nature of ownership leads to periodic crises of over-accumulation of capital and, consequently, overproduction. Cyclical crises, therefore, have their roots in the contradictory, crisis-ridden nature of the capitalist economic system itself

According to Marx, the cycle is divided into several phases that begin with a crisis. This results in a dramatic decline in production followed by stagnation or depression then recovery, prosperity, overheating and, finally, a return to crisis.²

The crisis results from the over-accumulation of capital, that is, there is a surplus of capital that cannot be profitably invested. At the top of the cycle there is a crisis of overproduction, that is a huge surplus of commodities, which exceeds the consuming power of society (that is, the wages of the workers and that part of the surplus value of the capitalists that is not accumulated) and cannot be sold. Parallel to this we have a fall in prices, a halt in the circulation of credit, crisis on the stock markets and a slump in trade. The valorisation process of capital falters and industrial capacity utilisation drops. At the same time, wages fall, many companies perish and there is a massive increase in unemployment. 'It is no contradiction that this over-production of capital is accompanied by more or less considerable

relative over-population. (?) , an over-population of labourers not employed by the surplus-capital?? 3 In short, the crisis leads to an enormous destruction of productive forces. Through such a destruction of capital, the contradictions will be temporarily reduced and a new phase of capital accumulation can begin. ?The crises are always but momentary and forcible solutions of the existing contradictions. They are violent eruptions which for a time restore the disturbed equilibrium.? 4

In the phase of depression, industrial production is stagnant, prices remain at a low level and trade is weak. Mass unemployment continues and demand for credit by firms is restricted so interest rates remain relatively low. However, it is in this phase that the conditions for the subsequent recovery are created. The capitalists try to increase profits by reducing production costs. On the one hand, this can be done by increasing the exploitation of workers, cutting wages or increasing labour intensity. On the other hand, however, and this is the choice of the stronger capitalists, it can also be done by investing in ?labour-saving? machinery. In other words, by renewal of fixed capital and introduction of technical innovations. This makes profitable production possible, despite the fall in prices and the diminished purchasing power of society. With this renewal of fixed capital, the production of means of production is revived, this increases demand for raw materials and labour and, then, for consumer goods, etc. Gradually, the depression gives way to a phase of expansion.

In the phase of revival, production increases further and, with it, prices. Accumulation of capital accelerates, the rate of profit rises. There is an increase in demand for loans as the confidence in profitable investment opportunities for capital rises, trade intensifies as does speculation on the exchanges. Thus, the expanded reproduction of capital is consolidated and the revival goes into the upswing.

In the phase of recovery, there is a significant growth in value production beyond that of the previous cycle. Capital accumulation accelerates dramatically and the capitalists make massive investments in expansion and increase capacity utilisation. There is now a general optimism, new companies are founded, turnover accelerates as do prices, loans and stock market speculation. Wages rise again, and unemployment falls.

Now comes the stage of overheating, of overproduction. The earlier investments now need to bring appropriate profits to service the existing loans, to make further investments, etc. The accumulated capital needs to be valorised profitably. Logically, all capitalists want this, so all maximise their production. This leads to an overproduction of commodities but does not yet come to an open crisis. It still seems that marketing opportunities are growing, speculation ensures prices continue to rise so there are more profitable investment opportunities. The limitless supply of loans by banks and other financial institutions, which want to valorise their accumulated, non-productive, money capital, to the industrial capitalists, cover up overproduction and allow an artificial expansion of production. At a certain point, however, the accumulated contradictions lead to a violent expression, and the over-accumulation of capital opens the crisis. The capitalist cycle again moves into its crisis phase.

To summarise: the material basis of the cycle is the movement of the accumulation of productive capital. Capital is accumulated in order to create surplus value, the basis of profit. Accumulation does not occur in a vacuum, but under the conditions of competition between the capitalists. Capitalists are continually forced to increase the productivity of labour, in order to get a competitive advantage over their rivals. In addition to cutting wages or extending working hours this is also done via the expansion and improvement of the machinery used by the workers. The valorisation process of capital, therefore, always includes the replacement of machinery, the fixed component of constant capital. Therefore, reproduction of social capital generally takes place on an expanded basis. The process of renewal of fixed capital does not take place gradually but in fits and starts because capitalists respond to the prospects of making profit. During the upswing, the capitalists expect to gain the highest possible rate of profit by the highest possible utilisation of fixed capital. Then the crisis and the consequent devaluation or destruction of fixed capital create the conditions for a new round of investment.⁵

The current historical crisis as a result of the previous period

The cyclical crises of capitalism do not represent repetitions of the valorisation process of capital on an unaltered basis. In each cycle, the reproduction of social capital takes place on an expanded basis and the valorisation process of capital

leads to increasing accumulation, particularly of the fixed part of constant capital. This results in a relative decline of the variable capital and an increase in the organic composition of capital so that the rate of profit tends to decline. Therefore, from cycle to cycle, the gulf between the mass of accumulated capital and, relative to that, the increasingly impoverished mass of the population, grows wider. As a result, within the capitalist cycles there is tendency to exacerbate the crisis and ultimately towards breakdown.

It was on this note that Marx concluded the final chapter, 'The Historical Tendency of Capitalist Accumulation' of the first volume of *Capital*:

'This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralization of capital. One capitalist always kills many. Hand in hand with this centralization, or this expropriation of many capitalists by few, develop, on an ever-extending scale, the co-operative form of the labor-process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labor into instruments of labor only usable in common, the economizing of all means of production by their use as means of production of combined, socialized labor, the entanglement of all peoples in the net of the world-market, and with this, the international character of the capitalistic regime. Along with the constantly diminishing number of the magnates of capital, who usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working-class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.' 6

In this famous quote, Marx anticipated the era of imperialism as the highest and the last stage of capitalism in its history, the epoch of its decline and transition to socialism. Later, Lenin elaborated the character of imperialism as the last stage of capitalism and summarised it in the following words:

'We have to begin with as precise and full a definition of imperialism as possible. Imperialism is a specific historical stage of capitalism. Its specific character is threefold: imperialism is monopoly capitalism; parasitic, or decaying capitalism; moribund capitalism. The supplanting of free competition by monopoly is the fundamental economic feature, the quintessence of imperialism.' 7

The historic character of the imperialist epoch as transitional lies in the fact that capitalism has advanced the productive forces and the socialisation of production so far that it causes clashes with the bourgeois relations of production that are so sharp that they put the collapse of the capitalist mode of production on the agenda, though not, of course, permanently. Time and again, the human race is faced with the alternative of socialism or barbarism. The current dramatic economic crisis, coupled with the growing rivalry between the superpowers and the mounting ecological disaster confirms fully the validity of Lenin's theory of imperialism.

The development of the fundamental contradiction between the social character of the productive forces and the private, capitalist ownership of the means of production has resulted in such a concentration and centralisation of capital that free competition between the capitalists, characteristic till the end of the 19th Century, has been replaced by monopoly capitalism and the domination of a few imperialist powers over the world's population. Monopoly capital can temporarily modify or restrict the spontaneous enforcement of the law of value. Because of its hegemony, its degree of organisation and its fusion with the bourgeois state, monopoly capital can more easily off-load the consequences of capitalist crises onto the working class, the petty bourgeoisie, the middle classes and the weaker sectors of capital. All these modifications can affect the actual course of development of the law of value but, at the same time, they aggravate the capitalist contradictions and eventually lead to a trend of deepening capitalist crisis. (Note: The enforcement of the law of value is modified by the monopoly. It is not really limited, because, like the law of value, it is realised only through its partial negation as, for example, in the value-price transformation. Similarly the monopoly price. Thus the monopoly price is not something 'outside' of the law of value, at a certain level of

development of capitalism it is the necessary form through which the law of value must be realised).

Cycles, therefore, are a permanent feature of the history of capitalism. Concrete economic and political factors, the balance of power between the classes, etc. can play an important role in the actual course of development of the cycle, but the most important, most fundamental factor that determines the dynamics of the cycle does not depend on conjunctural issues, but on the historical era or period of capitalism in which it takes place. Trotsky said in his article about the capitalist curve of development that cycles evolve very differently, depending on whether they take place in a historical period (curve) of capitalist boom, stagnation or decline. He wrote:

?? capitalism is not characterized solely by the periodic recurrence of cycles otherwise what would occur would be a complex repetition and not dynamic development. Trade-industrial cycles are of different character in different periods.?8

For this reason, the Communist International emphasised the idea of analysing the cycles in the context of the historical epoch or period.

?But should the tempo of development slacken, and the current commercial-industrial crisis be superseded by a period of prosperity in a greater or lesser number of countries, this would in no case signify the beginning of an ?organic? epoch. So long as capitalism exists, cyclical oscillations are inevitable. These will accompany capitalism in its agony, just as they accompanied it in its youth and maturity.? 9

The current cycle is in fact a clear proof for this. Although the working class has offered very little resistance to the offensive of the bourgeoisie and therefore the cost of the crisis has largely been shifted onto the working class, and even though the bourgeoisie mobilised huge sums of money for rescue and stimulus packages, these measures have not been sufficient to allow for a robust revival of the economic cycle. The structural problems of over-accumulation of capital are much too big to be offset by cyclical measures.

The specific characteristics of the period of globalisation could not remove the essential characteristic of our epoch, the imperialist epoch, the highest and final stage of capitalism. The basic contradiction of capitalism, the growing antagonism between the social character of the productive forces and the private character of its acquisition, leads in particular in the era of monopoly capitalism to the fact that the steady expansion of commodity production and thus the valorisation of capital on an ever higher scale, comes into ever sharper contradiction to the shackles of the capitalist appropriation of profit. The capitalists are trying to increase the productivity of labour and, thereby, their profits, by producing cheaper than their industries? average production costs which are decisive for the average rate of profit. In this way, they hope to gain a competitive advantage over their rivals. Thus fewer and fewer workers use more and more machines, in other words, the share of value-creating human labour, the variable capital, within the total capital decreases while the share of the value-transmitting (but not value-creating) machines, raw materials, real estate, the constant capital, is rising. This rising organic composition of capital leads to a long-term tendency of the profit rate to fall.

The increasing socialisation and internationalisation of production demonstrates the historical obsolescence of capitalism, where private property prevents a rich and sustainable development of the productive forces. Lenin was quite right in writing:

?It is clear why imperialism is moribund capitalism, capitalism in transition to socialism: monopoly, which grows out of capitalism, is already dying capitalism, the beginning of its transition to socialism. The tremendous socialisation of labour by imperialism (what its apologists, the bourgeois economists, call ?interlocking?) produces the same result.? 10

And further on:

?The epoch of capitalist imperialism is one of ripe and rotten-ripe capitalism, which is about to collapse, and which is mature enough to make way for socialism.? 11

The consequent difficulties in investing capital profitably, the tendency of the profit rate to fall, result in the capitalists

investing less and less of their surplus value in the expansion of productive capital and more and more in speculation and unproductive sectors. The capitalists have to spend an increasing share of their profits on dividends or to repay debt, or buy back their own shares in order to get the casino of speculation going again.

The severe recession in 2007-2009 can only be understood as the result of the accumulated contradictions of the previous capitalist period. The current cycle takes place in the epoch of declining capitalism, of capitalism in its old age. As we have already said many times, the era of globalisation was characterised by a broad offensive of the bourgeoisie: a massive attack on the working class, the destruction of nearly all the degenerated workers' states and increased subjugation and exploitation of the semi-colonial world. Through these attacks, the bourgeoisie was able to increase both the rate of surplus value (mainly through the increase of absolute surplus value) and the imperialist extra-profits from the semi-colonies. However, the historic tendency of capitalism to decline is rooted in the fact that the organic composition of capital (that is, the ratio of value-transmitting constant capital to value-creating variable capital) is rising to such a degree that it is increasingly difficult for capital to halt the declining rate of profit by counteracting measures. For this reason, only a relatively small share of the increased gross profit, indeed an ever decreasing share, enters into the accumulation of capital. To an ever larger extent, the profits have moved into the realm of speculation and debt repayment. The result of the period of globalisation was that the bourgeoisie not only failed to revive capitalist accumulation but that they prevented a massive decline in the global economy only by borrowing increasingly greedily and shortsightedly from future reserves. In other words, they brought a certain stability to the global economy by accumulating massive debts and, by a huge artificial inflation of the speculative sector, created artificial profits and 'prosperity'. The contradictions of the present were glossed over, for a time, by the inflation of the contradictions of the future.

The enormous mass of money capital that migrated into the highly speculative world of currency markets and the hedge funds has been referred to many times. The following table for the U.S. in the period 1947-2007 also shows the vast, growing share of dividend payouts and share repurchases on profit before tax.

The over-accumulation of capital, the falling rate of profit, the tendency to aggravation of the crisis, all these have characterised the global economy for decades. Amongst bourgeois and many leftist theoreticians, the long boom created the illusion that capitalism had found a way to escape its tendency to breakdown. In fact, the long boom was due to exceptional circumstances, namely the massive destruction of capital through two world wars and the severe depression after 1929 and the enforcement of a political world order led by an imperialist power after the (temporary) stabilising settlement with the Stalinist bureaucracy in the USSR. Since the early 1970s, the world economy has been characterised by the over-accumulation of capital and the related tendency to stagnation. This tendency towards stagnation could not be reversed by the capitalist offensive in the period of globalisation, quite the opposite, it became even stronger. (see Table 2) However, this tendency towards stagnation was very uneven because at the same time an accelerated accumulation of capital took place in parts of the world that are backward from the standpoint of capitalist development but are, nonetheless, important. (China, India)

This worsening tendency towards the over-accumulation of capital in the period of globalisation was reflected in the fact that in the largest national economy in the world, the USA, because of the lack of profit expectations, the capitalists invested a decreasing proportion of their surplus value in the expansion of their capital stock. This slackening of the capital accumulation process is reflected in a declining level of net investment (that is, the expansion investment, in contrast to those investments that only replace the physical or morally obsolete capital). Table 3 shows clearly that the slackening of the capital accumulation process arising from the difficulties in the valorisation process of capital have not become less, but sharpened in the period of globalisation. The same picture emerges for the European imperialist powers. The growth rate of net capital stock in the EU-15 countries gradually reduces: from an annual average of 4.2% (1961-73), 2.7% (1974-85), 2.4% (1986-1990), 2.1% (1991 ? 1995), 2.2% (1996-2000) and finally 2.0% (2001-2005).

The increasing valorisation problems of capital are reflected in a growing proportion of surplus, unused capital. A clear indicator for this is the declining capacity utilisation in industry. The high points of capacity utilisation in U.S. industry

were 85.1% in the 1980s and 84.9% in the 1990s. Since 2000 it has never once crossed the 81% mark. The lows on the other hand in these three cycles were 78.7%, 73.5% and, in June 2009, the historic low of 68%. 17 Put bluntly, in mid-2009 almost 1/3 of productive capital was not utilised for the valorisation process in the United States! So, here too, we see that, in the period of globalisation, not only was it not possible to solve the contradictions of capitalism, but they even increased. Graph 2 gives a clear picture of the declining tendency of capital accumulation in the United States from 1967 until today.

This faltering, crisis-ridden capital accumulation process resulted in increasing flows of surplus value either to the speculative sector (2007 41% of all US profits were derived from the financial sector!) or into export of capital abroad. The result is a downward momentum of expanded reproduction of capital, reflected by declining rates of growth of commodity production in the period of globalisation. While in the 1960s industrial production in the imperialist centres grew by an average of 5 to 13% per year, this trend slowed in the 1980s to 1.7 to 4% and amounted on average in the 2000s to only between 0.5 and 1%.

Is the world economy facing a new upswing in the economic cycle?

We can see now that the world economy reached the bottom of the recession, which began in late 2007 in the USA, in the first quarter of 2009. Since then, the recession has weakened or moved in individual countries into a slight upswing. Overall, we do not expect a sharp upturn. Whether there will be a slight recovery or a second recession, similar to what happened in 1980-82, depends on various factors. In any case, the current recession, despite its historically profound nature, could not address any of the fundamental problems of the capitalist order, let alone resolve them. This applies both to the economic contradictions, the over-accumulation of capital and the crisis of the profit rate, and to the political contradictions, the growing rivalry between the imperialist powers.

The cyclical movement of the global economy can be measured by various indicators, which, in one form or another, reflect the development of value production. The following indicators show that the capitalist world economy is still in the phase of stagnation, or at the very beginning of the cyclical upturn. These figures indicate a growth in GDP in Japan, Germany and France in the 2nd or they predict it for the 3rd quarter of 2009.

More meaningful than the GDP, however, is the data for industrial production that correlates more closely with value production. Again we see here, albeit weaker than with the GDP, a certain revival of industrial production in the imperialist centres, first in Japan, later in the U.S. and the EU. There was a sharp drop in industrial production until the 1st or 2nd quarter of 2009. In recent months, however, there is a slight upturn in industrial production. In Japan, this revival had already begun in March, in the U.S., however, only in July.

This slight increase in industrial production takes place from a very low base. In all imperialist countries, there was the most dramatic drop in industrial production and investment since the depression of 1929. In the United States, the level of gross domestic investment at the end of the 1st quarter of 2009 was 26.8% below the level of the 3rd quarter of 2007, when the recession began. 22 If one bears in mind the dramatic extent of decline in industrial production, one would perhaps expect a sharp upturn. In fact, we see only a slight recovery in recent months. The reason is that there has not been a real recovery in capital accumulation. The bourgeoisie has prevented the collapse of capitalism by investing enormous aid packages in all major countries. These state capitalist measures have resulted in the arrest or the consolidation of the money-capital sector and created some incentives to stimulate demand for consumer goods such as cars (scrappage premium). But these measures are partly time-limited and anyway could not protect many companies from bankruptcy. The capitalists do not have optimistic expectations for increasing the rate of profit. The economy is still characterised by massive over-accumulation. The organic composition of capital, that is, the steadily rising share of constant capital at the expense of variable capital, requires an ever larger, more destructive annihilation of fixed capital in order to trigger a new cycle of capital accumulation. Quite obviously, despite the enormous destruction of values, up to 45% of global wealth has been destroyed by the crisis, 23 insufficient destruction of capital has taken place to allow a strong economic recovery.

This slackening of capital accumulation can be measured by various indicators. The over-accumulation of capital has reached such enormous proportions that in the U.S. and the Euro area, the utilisation of industrial capacity is still at

historic lows and about 30% of capacity is fallow. In Japan, where an incredible low point of only 50.4% was reached in the 1st quarter 2009, the recovery started earlier. 24 In any case, the relevant figures indicate that the capitalist world economy still is in the phase of stagnation or at the very beginning of a slight recovery.

This is also evident when we look at the development of gross fixed investment, which reflect the dynamics of capital accumulation. A decline in investment in all the imperialist countries has continued in the 2nd quarter of 2009, even though it has slowed compared to previous quarters.

What is the reason for the reluctance of capitalists to start investing on a large scale and, thereby, open a new cycle of reproduction of capital on an expanded scale? It ultimately lies in the fact that the rate of profit has fallen and the prospects for any substantial increase are low. However, this should not obscure the fact that there have been changes in the last few months. In fact, there has been an important trend reversal; the fall of the mass of profit has been halted and a process of growth has begun. However, this growth is limited and, given the huge debt and the excess capacity, the capitalists will use these profits only to a limited extent for new investments.

Since profit expectations are low and the over-accumulation of capital is burdensome, the reproduction of social capital on an expanded scale takes place haltingly. Despite a certain revival of production, no new jobs are created, around the world, unemployment rises and wages are falling. Overall, a rise in unemployment of more than 25.5 million is projected in the imperialist countries alone (the OECD countries) between the peak of the last economic cycle and projections for next year. In the U.S., unemployment has soared already to 9.3% in 2009 and is even projected to rise to 10.2% in 2010. 29

It is not surprising that the recent OECD interim global report comes to the conclusion that the world economy will probably grow only slowly. The study's author says that the crisis has over burdened the main industrial countries:

“Over-capacity, low profitability, high and rising unemployment, barely rising wages and in some countries the real estate crisis adversely affect private consumption. In addition, consumers, businesses, banks and governments have to reduce the debts they have accumulated in the wake of the crisis.” 32

Therefore, the author continues: “This means that short-term political support for a strong economy is necessary.”

State capitalism and public debt

Thus we come to a crucial point: Why did the capitalist world economy not collapse in historically the worst crisis since 1929? The most important answer lies in the decisive intervention of the capitalist state, which came to help the capitalist class by huge public borrowing. The economic stimulus programmes of the governments around the world amounted to a volume of 2.5 trillion US dollars, equivalent to 4% of global GDP. To this can be added the rescue packages for banks and other parts of the capital.

The central role of state intervention in the prevention of an economic breakdown becomes obvious when one looks at the latest economic numbers. In the U.S., for example, it was only the category “government spending” that increased in the 2nd quarter of 2009 by +6.4% (year on year), while all other sectors in the GDP statistics (private consumption, private investment, exports and imports) showed a decline. 33 A similar development happened in the European Union. Also in Japan the state played an important role, but here the exports in the last quarter grew too.

The result of this intensified state capitalist intervention is a dramatic increase in public debt. Within 2-3 years the debt of the imperialist powers, in relation to output, grew; in the EU by about 33 per cent, in the United States by 50 per cent and in Japan, starting from an already very high level, by 20 per cent.

This has enormous implications for the governments' economic policies. In the U.S., for example, the budget deficit in 2009 will be \$ 1.59 trillion or 11.2% of annual GDP. This is the highest level since 1945. 35

Overall, we now see the highest level of state capitalist intervention since 1945. This etatism, however, takes place less in the direct form of nationalisation as in the indirect form of taxation, state orders for the military, etc. This is because

the widespread nationalisations in the past were usually in the context of the massive destructions of capital caused by war. The First and Second World Wars required, for military, political, economic and social reasons, a high degree of state monopoly capitalist centralisation. After the Second World War, the bourgeoisie was massively weakened and discredited and the reconstruction projects were so great that private capital could not, or would not, make the necessary investments. Today, as long as monopoly capital does not look directly and immediately into the abyss of its annihilation, so long the state will focus on indirect interventions.

The expansion of public debt is also a huge programme to safeguard the profits of the banks. They benefit in two ways from the state intervention; first they are saved from collapse, then they are paid to organise the repayment of the debt. Moreover, the banks do not have to give credits for businesses and consumers, but can rely on speculative transactions in bonds. Overall, however, this also has the effect of slowing down further the upturn in the industrial sector and of mass consumption. This then reinforces the stagnation tendencies and flattens the recovery further, it could also be the source of a second bubble and its bursting in the short-term.

The consequences of the historically high national debt are manifold. Weaker capitalist states, such as semi-colonial countries in the South and in Eastern Europe, could prove to be unable to service their debts and to register officially bankrupt. The major powers have the ability to print money. In each case, however, the public budgets of all the capitalist states will be heavily burdened by the need to pay interest. This in turn has enormous political and economic consequences: the capitalist state is less than ever in a position to support the capitalists by means of subsidies and tax concessions. At the same time, the state will inevitably raise mass taxes for the working class. This in turn limits the potential of private consumption and therefore limits the consuming power of society. On the other hand, this will make the state more than previously visible as an enemy of the working class and lead to a politicisation of the class struggle.

In contrast to previous economic cycles, there is today no leading imperialist power that is economically strong enough to act as the locomotive for the world economy. In recent decades, the U.S. has played this role but today it is economically weaker than ever before since the 1930s. In recent decades, the U.S. has been saddled with enormous debts in the state, the federal states and municipalities, households and businesses. This debt has been increased dramatically by \$9 trillion by the economic and banking aid packages. This is accompanied by the continuing balance of payments deficit, which decreased in recent months only because imports shrank even faster than exports. Although the dollar is still the most important currency in the world, its dominance is now questioned as is shown by reports that the Gulf states are already undertaking negotiations with Russia, China, Japan and France to replace the dollar as the currency for the global oil trade.³⁶

To summarise: The low point of the sharpest recession since 1929 now seems to be behind us and the imperialist economies are in the phase of stagnation or a slight upswing. The collapse of the global economy has been prevented by massive state capitalist interventions, but the ruling classes were not able to reduce a single one of the fundamental problems of the capitalist order, let alone solve them. This applies both to the economic contradictions, the over-accumulation of capital and the crisis of the profit rate, as well as the political contradictions, the growing rivalry between the imperialist powers. The upswing in the world economy is therefore weak and, because of low investment and a new speculative bubble, could even enter into a second recession in 2010. In any case, the bourgeoisie will make every effort to foist the cost of the crisis onto the working class in the coming years. This can only be prevented if the proletariat unites in a determined fight and, ultimately, eliminates capitalism by international socialist revolution. For this, the overcoming of the crisis of leadership and the creation of a world party of socialist revolution ? the Fifth International ? is necessary.

ENDNOTES

1 Friedrich Engels: <http://marxists.org/archive/marx/works/1880/soc-utop/ch03.htm> [1]

2 Karl Marx: <http://marxists.org/archive/marx/works/1894-c3/ch22.htm> [2]. In Volume I of Capital Marx describes the development of the cycle in the following way: ? periods of average activity, production at high pressure, crisis and stagnation? (Karl Marx: Das Kapital, Band I, MEW 23, S. 661; <http://marxists.org/archive/marx/works/1867-c1/ch25.htm#S3> [3]).

- 3 Karl Marx: Das Kapital, Band III, MEW 25, S. 266, <http://marxists.org/archive/marx/works/1894-c3/ch15.htm> [4]
- 4 Karl Marx: Das Kapital, Band III, MEW 25, S. 259, <http://marxists.org/archive/marx/works/1894-c3/ch15.htm> [4]
- 5 Marx had already pointed this out in the second volume of Capital: "This much is evident: the cycle of interconnected turnovers embracing a number of years, in which capital is held fast by its fixed constituent part, furnishes a material basis for the periodic crises. During this cycle business undergoes successive periods of depression, medium activity, precipitancy, crisis. True, periods in which capital is invested differ greatly and far from coincide in time. But a crisis always forms the starting-point of large new investments. Therefore, from the point of view of society as a whole, more or less, a new material basis for the next turnover cycle.", <http://marxists.org/archive/marx/works/1885-c2/ch09.htm> [5]
- <http://marxists.org/archive/marx/works/1867-c1/ch32.htm> [6]
- 7 V. I. Lenin: <http://marxists.org/archive/lenin/works/1916/oct/x01.htm> [7]
- 8 See L Trotsky: <http://marxists.org/archive/trotsky/1923/04/capdevel.htm> [8]
- 9 Theses on the International Situation and the Tasks of the Communist International, in Theses, Resolutions and Manifestos of the First Four Congresses of the Third International, London 1983, p.202
- 10 V. I. Lenin: <http://marxists.org/archive/lenin/works/1916/oct/x01.htm> [7]
- 11 V. I. Lenin: <http://marxists.org/archive/lenin/works/1916/jan/x02.htm> [9]
- 12 Christian E. Weller and Amanda Logan: Investing for Widespread, Productive Growth, Center for American Progress, December 2008, p. 18
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- [3] <http://marxists.org/archive/marx/works/1867-c1/ch25.htm#S3>
- [4] <http://marxists.org/archive/marx/works/1894-c3/ch15.htm>
- [5] <http://marxists.org/archive/marx/works/1885-c2/ch09.htm>
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