

A new stage in the global crisis

Andre Damon
4 June 2012

Friday's disastrous US jobs report, which showed the worst payrolls growth in a year, capped a week of dismal economic news from every part of the world.

These developments reveal that claims of an economic recovery are not only premature but utterly fictitious. Despite all claims to the contrary, the crisis again and again proves to be intractable.

No part of the world is immune from the downturn. Hopes that economic weakness in Europe and the US would be offset by growth in the developing world were dashed by the latest statistics. India's first quarter growth rate hit 5.3 percent, the lowest level in 9 years, down from 9.2 percent a year ago. Brazil's economy grew only .2 percent, and China's purchasing managers' index fell sharply.

Shortly before the US figures were released, Eurostat announced that unemployment in the euro zone hit its highest level on records going back 13 years. This followed announcements that the euro zone manufacturing purchasing managers' index fell to its lowest level in three years, prompting the report's issuer to predict that the euro zone economy will shrink this quarter.

These figures, mixed with concerns over Spain's banking sector, spurred a flight to relatively safe government securities, driving US and German bond yields to record lows. Meanwhile, the borrowing costs of Spain and Italy approached those at which Greece and Portugal were forced to request bailouts.

This came as the Spanish central bank announced Thursday that €97 billion had been withdrawn from the country during the first quarter of the year. The week before, Bankia, the country's fourth-largest bank, had requested a bailout of €19 billion from the Spanish government, in the largest bank bailout in the nation's history.

In the US, the worst jobs report in a year showed that the average duration of unemployment lengthened, the

number of long-term unemployed grew, while earnings were flat and hours worked fell.

The jobs report met a surreal response in the US political establishment. Obama and his Republican rivals denounced each other for not passing corporate handouts and deregulation fast enough. All the factions of the ruling class are agreed that the attack on jobs and social spending should continue.

Obama reiterated his demand for the passage of his jobs "to-do list"—a series of corporate handouts. In introducing the proposal last month, Obama went so far as to brag that the period of his administration was "the only time that government employment has gone down during a recession."

This response is common to every country: no policy that in any way impinges on the most selfish financial interests of the ruling class can even be proposed. As millions face unemployment and poverty, discussions in both parties focus on how to cut taxes for business while slashing social services.

There is an aura of disorientation among the ruling class in the face of this new disaster, as reflected in press commentary on the jobs report. "I see no reason for confidence in the capacity for policymakers to grasp what is developing," wrote commentator Doug Noland in his web-based *Credit Bubble Bulletin*. "I am confident that what is unfolding has the potential to be more problematic than 2008," he added.

Noting that "the outlook is far darker than it seemed to be only a couple of months ago," Floyd Norris of the *New York Times* bemoaned the inability of countries to work out a united response to the crisis.

"Less than four years ago, with the world's financial system in danger of collapsing, major countries managed to come together on a coordinated course that averted a global depression," he wrote. But now "there seems to be little willingness—or perhaps little ability—for the major countries to act together again."

Yet Norris ends his article with an optimistic flight of fancy, noting that “Germany—the country that would have to pick up most of the bill to rescue its neighbors—could decide that not spending the money created greater dangers. The United States could find ways to help out despite fiscal pressures and Congressional hostility to foreign aid. A new consensus on common bank regulation could emerge.” But as the author himself suspects, the odds of any of these outcomes is diminishing by the day.

Among bourgeois commentators, all hopes rest on the willingness of Germany, the strongest economy in the euro zone, to lend funds to stabilize the banks and prop up struggling EU member nations. “We need to do whatever we can to convince Germany to show leadership and preserve the European Union,” billionaire investor George Soros said over the weekend.

But the inability of major powers to coordinate a common response gets to the heart of the crisis that is convulsing Europe.

The growing disorientation of the ruling class stems from their inability to reconcile the national interests of each bourgeoisie with the global economy. Under capitalism, nation-states all respond to a crisis in the same way: fighting to preserve their own self-interest, with military force if need be.

The present crisis is in every way as fundamental and profound as that of the 1930s. The Great Depression, like the present situation, was an economic crisis intensifying geopolitical antagonisms, for which the ruling class ultimately had no answer besides the horrific bloodshed of the Second World War.

The intensification of the economic collapse puts to shame all official commentary, which sought to present the 2008 crisis as an ephemeral downturn from which capitalism would recover. It points to the fact that the historic contradictions of capitalism analyzed by the great Marxists—including Marx himself, Engels, Lenin, and Trotsky—maintain their validity.

These contradictions have not been resolved. Far from it, they are erupting with tremendous force, breaking down all the stabilizing mechanisms of the postwar period, and throwing millions of people into unemployment and destitution. These contradictions must likewise provoke mass social struggles and a new period of revolutionary upheaval.

Andre Damon



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact