

A global slide into depression

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It is now coming on close to four years since the collapse of Lehman Brothers in the autumn of 2008. The events of the past several months underscore two fundamental features of the crisis that emerged out of the subsequent financial collapse: 1) that it is systemic, not temporary; and 2) that it is global, affecting every country in the world. Globally integrated capitalism has created a globally integrated catastrophe.

This week, a series of economic figures were released confirming this analysis. Hopes from bourgeois commentators that the debt crisis in Europe could be offset by economic growth in Germany, or that weakness in the West as a whole could be counterbalanced by strong production in Asia, are being dashed with each passing day.

In fact, production in both Germany and China is contracting, in large part due to falling exports. According to Thursday's figures, Germany's composite purchasing managers index hit a three-year low, falling to 48.5 in June from 49.3 a month before. The HSBC China Manufacturing Purchasing Managers' Index likewise fell to 48.1 in June, down from 48.4 in May. It was the eighth consecutive month of readings below 50, indicating contraction.

Other major "developing" economies are doing no better. India's economy grew only 5.3 percent in the first quarter of the year, its lowest growth rate in nine years and down nearly four percentage points from 2011. The Brazilian Central Bank said last week that the country's economy probably contracted in April compared with a year earlier, the first such yearly decline since late 2009.

In the United States, the center of world capitalism, the Obama administration is seeking to cover over with honeyed words what is clearly a sharp downturn, following a largely nonexistent "recovery." The Federal Reserve reported this week that all the basic indicators of economic health have slowed since

March, but proposed no serious measures in response.

Corporations are freezing hiring and banks are cutting off loans under conditions of mass unemployment. This week, the number of Americans filing new claims for unemployment benefits remained at very high levels. The four-week moving average for new claims is at its highest since December. According to the Labor Department, the number of available jobs dropped by 325,000 in April, the single biggest monthly decline since September 2008.

Europe reels from one crisis to the next. The stock market surge following the bank bailout of Spain hardly lasted a day before the prevailing sense of gloom in financial circles returned. The general sense of political paralysis was compounded by the ill-fated outcome of the G20 summit in Mexico, which was supposed to conclude with a common agreement on Europe, but in fact ended in discord among the major powers.

Amidst the perplexity in ruling circles, and in the face of bitter and growing conflicts between the major powers, the bourgeoisie does have a conception of how it will respond to the crisis: with the most ruthless, determined and unending assault on the working class. It has reacted to each phase of the crisis with bank bailouts and ever more savage austerity, in effect orchestrating the largest upward transfer of wealth in modern history. The crisis is expressed in the most bitter class warfare.

What has happened to Greece shows the working class of the world what is being prepared in every country. A quarter of the workforce is unemployed—including more than half of the country's youth—and Athens Wednesday saw thousands lining up for a distribution of free produce in a scene that evoked the Great Depression of the 1930s.

On Thursday, MSCI, a global stock index compiler, said it has put Greece's economy on review to become

the first country in the world to be downgraded from the status of a developed country to a “developing” one.

The reference to “developing” is, however, entirely misplaced. World capitalism, through the giant banks, is inflicting on the working class of Greece a shock reversal in their conditions of life. As one economic commentator noted, “In a sense they really need a new category, blown-up developed markets.” The representatives of the ruling class are acknowledging that their actions are producing a historic retrogression.

In January 2008, several months before the collapse of Lehman Brothers and amidst growing signs of a collapse of the US housing bubble, the *World Socialist Web Site* explained, “The turbulence in world financial markets is the expression of not merely a conjunctural downturn, but rather a profound systemic disorder which is already destabilizing international politics.” Hopes promoted by bourgeois commentators that somehow a new global equilibrium, a new basis for world economic growth, could be found, have been dashed. The crisis is, in the most profound sense of the term, a crisis of the world capitalist system.

The global character of the crisis requires a global response from the working class. It is a basic premise of Marxism that the workers of every country are united by their common class interests, interests that are determined by their common relationship to the capitalist system of production. This is true now more than ever. The ruling class, in its ruthless defense of a failed economic system, demonstrates with each passing day the burning necessity for world socialist revolution.

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