

The historical significance of the gathering world slump

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The significant reduction in the economic forecast of the 34-member Organisation for Economic Cooperation and Development (OECD) is the latest in a series of warnings by major international economic organisations of a global slump.

The OECD slashed 0.8 percentage points from its growth forecast of six months ago—from 2.2 percent to 1.4 percent in 2013—and warned of the possibility of “deep recession and deflation, with large additional rises in unemployment.”

Noting that the “greatest threats to the world economy” continue to emanate from the euro zone, it stated that fiscal conditions in some countries “risk sparking a chain of events that could considerably harm activity in the monetary union and push the global economy into recession.” In a clear indication of the intractable character of the problems besetting the global economy, it noted that “signs of emergence from the crisis have more than once given way to a renewed slowdown or even a double-dip recession in some countries,” and that “the risk of a new major contraction cannot be ruled out.”

Following the downward revisions by the International Monetary Fund in its forecasts for global growth, the significance of the OECD data lies in the fact that they concern the major capitalist economies, once the engine of global expansion.

The OECD forecast that the euro zone would contract by 0.1 percent in 2013, following a fall of 0.4 percent this year. Growth in the US was predicted to be just 2 percent—below the level required to expand employment—down from the previous forecast of 2.6 percent. Growth in Japan was revised downward from 1.5 percent to 0.7 percent. But this figure may come down even further, given that the Japanese economy is expected to experience negative growth for the last two

quarters of this year.

Apart from the figures on the global economy as a whole, a range of data from individual countries and regions points in the same direction.

Last Friday, it was announced that unemployment across the euro zone had risen to 11.7 per cent, up from 10.4 per cent a year ago. Spain and Greece are already experiencing Depression levels of unemployment of 25 percent or more. Now the stronger economies are being impacted. Consumer spending in France was down in October, while in Germany retail sales fell unexpectedly in the same month.

Claims that high growth in the so-called emerging economies would provide a boost to the world economy as a whole have already been called into question by the slowdown in the Chinese economy. They have now been dealt a further blow by new data from Brazil and India.

Brazil’s gross domestic product grew by only 0.6 percent in the third quarter, indicating that its economy is on track to record the lowest annual growth rate in a decade. Likewise, India’s annual growth rate for the September quarter fell from 5.5 percent to 5.3 percent, with predictions that it will record its lowest growth for a decade.

These figures demonstrate that far from an economy recovery being “around the corner”, the world economy is moving deeper into recession.

Moreover, they have a profound historical significance. They underscore the analysis made by the *World Socialist Web Site* that the financial crisis that erupted in 2008 was not of a conjunctural character, but signified a breakdown in the global capitalist economy, with far-reaching economic, social and political consequences.

It was a turning point in what Leon Trotsky termed

the curve of capitalist development. Capitalist economy, he explained, is characterized by two basic processes: the fluctuations in the business cycle, which accompany capitalism from its birth to its death, and longer shifts in the structure of the world economy that determine the character of whole historical periods.

Trotsky developed his analysis in the early 1920s through an examination of the significance of the breakdown that took place with the eruption of World War I in 1914. While the business cycle continued, he explained, capitalism would not be able to recover its pre-war equilibrium.

That analysis was verified in all the events that followed. For more than three decades after the eruption of the war, world capitalism was characterised by mass unemployment, the Depression, impoverishment of millions, fascism and heightening inter-imperialist conflicts, leading to the outbreak of another world war even more destructive than the first.

Capitalist equilibrium was eventually restored, but only on the basis of the betrayals of the revolutionary struggles of the working class by its Stalinist and social democratic leaderships and, as Trotsky had predicted, on the blood and bones of hundreds of millions of people.

Now a new breakdown is underway, as significant as that of 1914. This time it began not with a world war, but with a near meltdown of the entire global financial system. But the consequences will be the same unless the profit system is overthrown.

The breakdown of 2008 was prepared by increasingly feverish financial speculation that saw the emergence of parasitism and outright criminality as the chief mode of the accumulation of wealth. But the collapse of the financial house of cards did not signify the return to the previous “normal” conditions. On the contrary, it marked the opening of a new period of history characterised, to use Trotsky’s words, by “the greatest convulsions in the relationships between classes and between states.”

International relations are marked by the descent into outright gangsterism on a scale not seen since the actions of the Nazis in the 1930s, as the United States seeks to extricate itself from the crisis at the expense of its rivals.

Four years into the breakdown, the latest data show that the bourgeoisie has no economic policies to

overcome its historic crisis. It has only one answer: to pump new supplies of wealth into the sclerotic arteries of the profit system by destroying all the social gains won by the working class in the post-war period and driving it back to the conditions of the 1930s and beyond, through the series of austerity programs now being implemented around the world.

The response of the working class to this social counterrevolution must be the development and fight for its own independent strategy: the program of world socialist revolution to overthrow the reactionary profit system and replace it with a planned socialist economy.

The International Committee of the Fourth International is the only party in the world which fights for this perspective.

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