As 2013 draws to a close, capitalist breakdown is intensifying

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30 December 2013

The year has ended with no indication that, more than five years after the deepest financial crisis since the 1930s, the world economy is anywhere nearer to returning to what was once considered "normal" economic growth. Rather than an upturn taking shape, warnings of "secular stagnation"—characterised by permanent low growth, recession, falling investment, ever-lower real wages and persistently high unemployment—are proliferating.

The past 12 months have seen a series of unprecedented monetary policies, most notably the money-printing "quantitative easing" (QE) programs of both the US Federal Reserve and the Bank of Japan, in which trillions of dollars have been provided virtually free of charge to the major banks and financial institutions.

The Fed alone has expanded its balance sheet by more than $1 trillion this year, taking its asset holdings to more than four times what they were at the start of the financial crisis in 2008. The Bank of Japan, in charge of monetary policy in the world's third largest economy, is committed to doubling the money supply in that country.

Both these programs have been implemented with the claim that they are aimed at stimulating the economy. But the only beneficiaries have been the major banks and financial speculators. While the US economy has grown at an average rate of just 2.3 percent since the recession officially ended in June 2009—compared to a 4.1 percent average for the first four years of other expansions since World War II—the stock market has ended the year at or near record highs. This growth of financial parasitism is reflected in the doubling of the wealth of the world's global billionaires since 2009.

The flood of money being provided to financial markets as a result of the actions by the Fed and other central banks is laying the foundations for another financial crash even more serious than that of 2008. Bloomberg, for example, has reported that the amount of risky junk-rated loans increased to $693 billion this year, a new record, exceeding the level of $593 billion reached in 2008.

Those predicting an "upturn" in the US economy for 2014 will no doubt point out that the official jobless rate has been falling in the recent period. Such prognoses ignore the fact that most of the new jobs are at significantly lower wage rates—the halving of the wages of new-hires at auto plants under the Obama administration's 2009 restructuring program set the benchmark in this regard—and that much of the "improvement" is due to increasing numbers of people dropping out of the workforce. Over the past 43 months, more people have left the US labour market than have entered it.

The "quantitative easing" program initiated by the Abe government and the Bank of Japan earlier this year provided an initial boost to the Japanese economy, but the effects are starting to wear off. Last week, the government forecast that real gross domestic product for the fiscal year starting next March would be only 1.4 percent, down from an estimated 2.6 percent for the current year.

It is a measure of the underlying stagnation of the Japanese economy that a report which indicated that real wages had not fallen for the past month, after 17 consecutive monthly declines, was regarded as "good news."

One of the key indicators of the underlying breakdown of the global capitalist economy is the growing divergence between the accumulation of profits and the level of investment—the central driving force for the expansion of the real economy.

It has been estimated that global corporations are sitting on cash holdings of around $4 trillion—half of which is in the US—because there are so few profitable outlets for new investment. Rather than employing profits to finance expansion of production, companies are increasingly using their cash holdings to finance share buybacks in order to boost equity values, thereby providing financial profits to the hedge funds, banks and investment houses which are the major shareholders of large corporations. This is being accompanied by a major "restructuring", such as in the global auto industry, leading to the closure of factories and other facilities, some of which have been operating since the early 1950s.

The social effects of "restructuring" are most graphically illustrated in the euro zone, where investment levels are down by as much as 30 percent on pre-2008 levels. Combined with the impact of the austerity programs being implemented by all governments in accordance with the dictates of the banks, the restructuring is bringing social devastation.

A study by the International Red Cross published in October stated that Europe was sinking into a protracted period of poverty, mass unemployment, social exclusion, increased inequality and collective despair as a result of the austerity agenda. "The long-term consequences of this crisis have yet to surface," the report noted. "The problems caused will be felt for decades even if the economy turns for the better in the near future."

In the aftermath of the eruption of the global financial crisis, the claim was put forward that China, as well as other "emerging markets", would be able to decouple from the major economies and provide a new base for global expansion.

That assertion has been well and truly shattered in the past 12 months. An economic conference convened by Chinese authorities earlier this month warned that the world's second largest economy was facing downward pressure. Chinese industries confronted serious overcapacity and large debts, particularly those held by local governments, threatening financial stability, the conference concluded.

Reactions in the middle of 2013 to the prospects of a "taper" in the Fed's QE program underscored that, far from decoupling, "emerging markets" are extremely vulnerable to highly volatile capital movements. Turkey, India and Indonesia, to name just some of the most prominent economies, experienced major financial outflows in response to an increase in US interest rates, bringing warnings of a repeat of the Asian financial crisis of 1997–98, only this time on a wider scale, with far-reaching consequences for the stability of the global financial system as a whole.

All of these tendencies are set to deepen in 2014, ruling out the prospect of any recovery in the global economy. The ruling classes have no solution to the crisis other than the impoverishment of the working class and increased repression. The working class the world over must take stock of the situation and use the coming year to develop its own political initiatives based on an international socialist program to confront the ongoing capitalist breakdown.