A New Year's sense of foreboding over the global economy

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Since the eruption of the global financial crisis seven years ago, it has been commonplace for bourgeois commentators to end each year with predictions of better economic times ahead. Not so this time.

Financial Times columnist Gideon Rachman summed up the prevailing mood in a comment this week. "In 2015," he wrote, "a sense of unease and foreboding seemed to settle on all the world's major power centres. From Beijing to Washington, Berlin to Brasilia, Moscow to Tokyo—governments, media and citizens were jumpy and embattled."

On the economic front there are two sources of this mounting disquiet: First, the fact that despite the pouring of trillions of dollars into the global financial system by the world's major central banks, recessionary tendencies are gathering momentum. Second, that, in Rachman's words, "there is… a widespread fear that, after years of unorthodox monetary policy, another financial or economic crisis might be building."

The predominant economic development in 2015 has been the deepening trend towards global recession. At its meeting in October, the International Monetary Fund forecast the lowest rate of global economic growth since the immediate aftermath of the financial crisis and warned that it could further downwardly revise its estimates.

The myth, assiduously promoted for a number of years, that China and the emerging market economies would provide a new foundation for global capitalism was finally buried this year, as China experienced its lowest growth levels since the early 1990s. Rather than provide a new base for expansion, the mounting problems in the Chinese economy, exemplified by the Chinese stock market crash over the summer and the devaluation of the renminbi, are negatively impacting the rest of the world, with major economic and political consequences.

The "left" turn in Latin American politics has come to an end as the boom fuelled by exports to Chinese markets has given way to recession. Brazil, once seen as a source of economic expansion, along with the other members of the BRICS group of countries, has been plunged into recession. Its economy contracted 4.5 percent in the last quarter in the biggest downturn since the 1930s Depression. This contraction has intensified its financial problems. November's figures for the increase in Brazil's public debt were the third highest on record.

The effects of slower growth in China are extending to the advanced capitalist economies. Canada, which is highly dependent on exports to China, has, with the announcement that the economy contracted in October, experienced negative or stagnant growth in seven of the first ten months of the year.

Falling iron ore export revenue, the result of the Chinese slowdown, is causing major fiscal problems for the Australian federal government as well as the states. In its latest budget update, the Turnbull government announced that it expected to lose another $7 billion in revenue over the next four years as compared to estimates made just last May, largely as a result of falling ore prices. These are now below $40 per tonne, compared to $180 per tonne four years ago. The once boom state of Western Australia has announced its biggest income fall since the Great Depression due to lost revenue from the mining industry.

For some time the US was touted as a bright spot in the world economy. To the extent that this is still the case, it only underscores the dismal situation everywhere else. US wages remain stagnant, economic growth remains well below levels achieved in all previous post-war recoveries, and industrial output is falling, with warnings that the sector has entered a recession.

The euro zone has yet to recover the levels of output reached before the beginning of the financial crisis, with no signs of any revival of investment.

One of the most prominent indicators of the onset of global recession is the precipitous fall in the prices of all industrial commodities. The Bloomberg Commodity index of 22 raw materials has fallen to its lowest level since the financial crisis.

While the plunge in the price of oil—down from its levels

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of around $100 per barrel in the middle of last year to just $36—has attracted the most attention, it is only the most prominent expression of a general tendency. Iron prices continue to fall, accompanied by precipitous declines in other metals associated with basic industry.

At the beginning of this year, the price of nickel, which is used in the manufacture of stainless steel, was expected to rise by 22 percent. It has fallen by more than 40 percent, a bigger decline than the collapse suffered by oil. Likewise, the price of zinc, which was predicted to rise by 16 percent, has dropped by 28 percent.

When the oil price began to fall, the view was advanced that this could be beneficial to the world economy by reducing energy costs. But any positive effects have been completely outweighed by the deepening slump. In an indication of future trends, the Organisation of Petroleum Exporting Countries lowered its long-term estimates for global oil demand and said oil prices would not return to the level of $100 per barrel until 2040 at the earliest.

The falling oil price has sent a shock wave through financial markets, hitting high-yield or so-called "junk" bonds as well as mutual funds that have invested in energy-related projects. With money available at ultra-low interest rates and oil fetching more than $100 per barrel, there was money aplenty for speculation. But with oil at below $40, many of these projects are unviable.

Mutual funds that invested in pipelines and other infrastructure projects have also been adversely affected. According to one analyst cited by the *Financial Times*: "These funds have never gone through the kind of energy price crash that we have had this year."

The problems could extend more broadly to US banks. Wells Fargo, one of America's largest banks, has already warned that low oil prices mean exploration companies and oil producers may not be able to repay their loans. It has been estimated by US regulators that there are five times as many oil and gas loans in danger of default than there were a year ago.

When the financial crisis broke in 2008-2009, the air was filled with talk of coordination and cooperation among the major capitalist powers. That has already gone by the board and the past year has seen growing divergences.

There is a rift in the policies of the world's central banks, with the US Fed starting to lift rates while the European Central Bank and the Bank of Japan hold rates near zero and continue to pump money into the financial system.

While a façade of unity is maintained, divisions are deepening, especially as regards China. In March, there was a conflict between the US and Britain when the Cameron government, acting on behalf of British financial interests, defied US opposition and announced it was signing on to the Chinese-backed Asia Infrastructure Investment Bank, opening the way for other European powers to join.

A new conflict has now opened up, with the US reported to be lobbying to prevent the European powers, with Britain and Germany playing a key role, granting China market economy status under the World Trade Organisation (WTO). If China were so designated, it would further open up the world market to its exports. US officials have denounced the move as an attempt by European powers to win the support of Beijing as they seek profitable outlets for euro investments.

Widening rifts were also in evidence with the effective burial of the Doha Round of trade negotiations at the WTO talks in Nairobi earlier this month. This was chiefly at the instigation of the US, which is abandoning the pursuit of multilateral trade deals in favour of exclusive agreements, such as the Trans Pacific Partnership covering Asia and the Transatlantic Trade and Investment Partnership covering Europe, in which trade concessions are not extended to all but only to those countries agreeing to Washington's demands.

The implications for the international working class of the deepening crisis are further austerity coupled with intensifying attacks on jobs, wages and working conditions.

Euro zone economists polled by the *Financial Times* this week set out the agenda with a call for a renewed push on so-called "structural reforms" of the labour market—the scrapping of remaining regulations governing wages and working conditions—aimed at nothing less than the creation of an impoverished cheap labour force.

Economic developments in 2015 have again underscored the fact that the crisis of 2008 signified a breakdown of the global capitalist system, not a downturn from which there would be a "recovery." The coming year will bring a stepping up of the assault carried out over the past seven years. It can be met only through a political movement of the working class based on an international socialist program.

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