US growth rate lowest in five years

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The US economy expanded at its slowest rate for five years in 2016 according to preliminary data issued on Friday. Gross domestic product (GDP) rose by only 1.6 percent in 2016, down from 2.6 percent in 2015, the Bureau of Economic Analysis reported.

The figures may be revised later this month, but they mark a significant decline from the annual rate of growth of 3.5 percent recorded in the third quarter. The economy expanded at an annual rate of only 1.9 percent in the last three months of the year, below economists' forecasts of 2.2 percent.

The *Wall Street Journal* noted that the US economy ended the year "on a familiar trajectory of roughly 2 percent economic growth, the lacklustre trend that has prevailed through most of the current expansion." Since the official end of the recession in mid-2009, the US economy has grown by an average of 2.1 percent per year, the lowest for any recovery in the post-war period.

The slowdown in the US rate of growth is part of an international trend. As Martin Wolf, the economics commentator for the *Financial Times*, has pointed out, if growth rates for the major economies had returned to the levels they reached before the financial crisis of 2008–2009, major economies would be one sixth larger than at present.

The slowdown in growth, both in the US and internationally is accompanied by another significant tendency. The growth in global trade, which was running as much as twice the rate of increase of global GDP before 2008, is expected to fall below the rate of GDP growth in 2016.

One of the immediate causes for the sharp turnaround in the US GDP in the fourth quarter was a steep decline in exports, which contributed to a fall of 1.7 percent in the GDP numbers. This was due mainly to a fall in the level of soybean exports, which had increased sharply in the third quarter because of a contraction in supplies from other regions.

The trade figures were eagerly seized on by President Donald Trump to push for his reactionary "America First" agenda. Tweeting on the $60 billion annual trade deficit with Mexico, he wrote: "Mexico has taken advantage of the US for long enough. Massive trade deficits & little help on the very weak border must change, NOW!"

Commenting on the impact of the trade deficit on the fourth quarter GDP figures, Dan DiMicco, the former head of Nucor Steel, who was in charge of Trump's trade transition team, told the *Financial Times*: "It's another example in a long line of 20 years of examples of where the trade deficit reduced growth. If you look at just what the deficit did this quarter, imagine what is has done all those years."

The GDP figures would have been even lower had it not been for an upturn of 3.1 percent in business investment following four consecutive quarters of decline.

Various commentators have pointed to a possible rise in so-called "animal spirits" as a result of Trump's advocacy of corporate and personal tax cuts, deregulation and major tax breaks for corporations that carry out infrastructure spending.

But as the *Wall Street Journal* commented, while businesses are hopeful about the possibility of stronger economic growth, they are not counting on a boom. One business chief it cited said it was no secret the overall mood was better, but whether "this translates into anything meaningful in terms of demand … remains to be seen."

Representatives of the Trump administration have claimed its policies will lift the US growth rate from its present low levels to 4 percent. That rate of economic expansion would see growth at levels not experienced since the dotcom and tech boom at the turn of the century.

For 2016, however, the growth rate in the US economy, touted as bright spot in the world economy, is running below that of the UK, expected to be around 2 percent, and the German economy at 1.9 percent.

The slowdown in the growth of world trade is an underlying factor in Trump's trade war agenda. As Marx pointed out, when there is general economic expansion, the capitalist class functions as a "practical freemasonry," in which competition functions as a mechanism for sharing out the "common booty."

But in a situation of contraction, where some sections of capital face the prospect of losses, "competition becomes a struggle of enemy brothers" and the opposition between the individual capitalist and that of the capital class as a whole comes to the fore. Marx was referring to individual capitalist firms, but under conditions of lower global growth—above all in the major economies—and a slowdown in the expansion of the world market, Marx's observation goes to the driving forces of economic nationalism and trade war.

The other feature to emerge from the US GDP figures is the ever-widening disconnect between the underlying real economy and the financial system. It is striking that the Dow has reached a record high of 20,000, with other indexes at or near record highs, while the US economy has experienced its lowest growth rate in five years.

This disconnect has a significant impact on economic growth, as vast amounts of wealth are diverted from the real economy into various forms of financial speculation. This leads to a decline in investment and falling productivity, two central features of the US economy in the eight years since the eruption of the financial crisis.