

The year 2025 when everything changed in global capitalism

Nick Beams
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Amid the continued surge on Wall Street, albeit with fluctuations, and global growth coming in as forecast at more than 3 percent, there are warnings that all may not be as it seems.

One such warning has come from Gita Gopinath, the former chief economist and first deputy managing director of the International Monetary Fund, in the form of a comment in the *Financial Times* (FT) entitled “Don’t be fooled—everything has changed.”

Gopinath began by noting that 2025 was a year “when everything changed” as the US lifted tariffs to their highest levels in almost a century, China retaliated and “global policy uncertainty intensified” and yet global growth is projected at 3.2 percent which is where it was before the turbulence began.

But it would be a mistake, she continued, to think the global economy is unaffected by “tariff fights and policy chaos” and “structural damage reveals itself slowly and always too late to be reversed.”

She said AI spending and more expansionary fiscal policy had masked the drag from US tariffs and Chinese retaliation and had “made 2025 look more stable than it actually was” and the global economy is “more fragile than the headline numbers suggest, starting with fragility in the AI sector.”

Investors, she noted, have “finally begun to question the gap between sky-high AI valuations and actual AI returns.”

She then made an important point about the development of AI within a capitalist economy.

“This is not a statement about AI’s potential, which is in all likelihood transformative. It is a statement about profitability. With competitive pressure both seen and unseen, the risk of a dotcom-style correction is real.”

Other analysis has warned that it could be more serious than what took place a quarter century ago. This is because of the enormous growth of financial markets and their increased complexity since then.

According to Gopinath, the celebrated “resilience” in the face of Trump’s tariffs is “deeply misleading” because tariffs have been costly especially for Americans. Even

though some 95 percent of the costs have been absorbed by US firms, tariffs have added 0.7 percentage points to inflation and without them it could have been 2 percent this year.

“Instead, tariffs have made the typical US household \$600 poorer.

“The damage from tariffs will grow more visible in 2026 as the resilience afforded by front loaded imports [those brought in before the tariffs came into effect] fades and companies pass through a higher share of costs to consumers.”

She also issued a warning that China’s reliance on export-led growth was “untenable.” Its latest five-year plan, which allocated resources to technology sectors at the expense of social spending and increased domestic consumption, “risks deepening structural imbalances.”

Gopinath concluded that the question was whether 2026 will be the year “we correct course.”

“There is an opportunity: the US holds the G20 presidency and France the G7 presidency. Together they can spur action to restore stability to an uncertain and increasingly fragmented global system.”

Under conditions where the US is acting as an imperialist gangster, tearing up all the institutions and arrangements, economic and political, of the post-war order, regarding them as inimical to its interests, and where it is even threatening military action to take over Greenland from its NATO ally, Denmark, we shall leave it to the reader to draw their own conclusions about the viability of such a perspective.

Long-time FT financial columnist John Plender has also issued a stark analysis of the global financial system in a major comment piece published last weekend.

At the outset amid “rampant” AI euphoria, “crypto lunacy,” credit bubbling in private markets and the US “at the heart of a global fiscal and financial maelstrom,” he posed the question: “does another 1929 crash loom?”

He found it “curious” that people even needed to debate whether the euphoria around AI and crypto constituted a

bubble “given that they so manifestly meet all the usual bubble prerequisites,” the fundamental characteristic of which was “an inspirational narrative that fires up investors’ expectations of super profits.”

Few doubted, he said, that AI would be a transformative technology leading to productivity gains but there was “huge uncertainty as to how this will come about.”

Another aspect of a bubble, he noted, is leverage and while at the beginning of their investment splurge into AI the tech giants were “awash with cash,” they are now starting to borrow large sums and in the case of Amazon, Meta and Microsoft have become net debtors.

Summarising the situation, Plender concluded that there was a plausible case for a 1929-type scenario, though it was difficult to tell when the bubble would burst, but if it did take place the central bankers would put a safety net under markets as they did in the 2007–09 crisis.

There is no question that, as Plender maintains, central banks, led by the US Fed, will pour trillions into the financial markets in the event of a crisis.

But the question which then arises is whether such action can simply continue indefinitely or will it run into some objective limit.

Some of the issues raised in his article indicate that there is such a limit, under conditions of mounting US debt now at \$38 trillion. Though he did not directly raise it, the question is whether the most indebted country in economic history can continue to be the mainstay of the global financial system?

“It is striking that over the past year doubts about US Treasury securities as a safe haven has risen,” he wrote, citing research which argued that “the adverse reaction to Trump’s ‘liberation day’ tariffs last April may have been a harbinger in which the mighty US confronts the constraints that other debtor countries have long faced.”

In basic agreement with that assessment, he continued: “What is clear is that US economic supremacy is very rapidly being eroded as it dismantles the postwar rules-based international order of which it was the chief architect. Instead of regarding multilateral institutions as providers of public goods, Trump and his acolytes see them as an affront to national sovereignty.”

The role of the dollar as the world’s pre-eminent currency is in question as is the US Treasury market as the world’s chief provider of safe assets.

“US Treasuries are now clearly unsafe, given that even the Congressional Budget Office publicly declares that US government debt is on an unsustainable trajectory.”

The traditional argument on the dollar’s role as the global reserve currency is that there is no plausible alternative and that remained the case. But as Plender noted the argument

should be better framed and that if global capital decides the US is unsafe it will flow into real assets such as gold and commodities.

That has already been seen, with the price of gold, the ultimate store of value in the capitalist economy, rising by some 65 percent in 2025, at one point reaching as high as \$4500 per ounce. The significance of these figures is what they indicate about the devaluation of the US dollar since Nixon removed its gold backing in 1971 when the rate was \$35 per ounce.

There is an important ideological issue arising from the open manifestation of Trump as the spearhead of imperialist gangsterism which applies to the analysis of the global economy.

For years, decades, the ideological representatives of the ruling classes, including some pseudo-Marxists, maintained the Marxist focus on the economic driving forces of imperialism—the struggle for markets, profits and resources, as analysed by Lenin in his work *Imperialism*—was crude and dogmatic. The entire post-modernist school—rampant today on university campuses around the world—played an important role in this campaign.

But Trump himself has now openly declared that the regime change operation in Venezuela was motivated above all by the grab for oil to benefit the US energy giants.

Likewise, these same forces have for decades maintained that the Marxist analysis of the historic crisis of capitalism, leading to its breakdown as a viable socio-economic system and the necessity, therefore, of socialism, was based on a similar crude dogmatism.

But facts, as the saying goes, are stubborn things and they are indicating that the historic contradictions of the capitalist economy are coming violently to the surface.

For the working class this means that it must base its perspective not on the ludicrous proposition advanced by figures such as Gopinath, that some form of repair or course correction can be carried out, but on the understanding that the deepening crisis of capitalism—the basic driving force of war, fascism and social devastation—must be met with the conscious political struggle for socialism.



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