

A revealing comment from former IMF chief economist

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Reports from global institutions, such as the International Monetary Fund, generally try to present the state of the world capitalist economy in the most favourable light, albeit with increasing difficulty.

But every so often an insight is gained into the discussion which goes on behind closed doors that presents a truer picture of the state of affairs.

Such is a recent op-ed piece published in the *New York Times* last week by the former IMF chief economist Pierre-Olivier Gourinchas, who stepped down in June. The article was published in the wake of the IMF's latest World Economic Outlook update.

It described the global economy as being caught in the “crosscurrents of war and technology.” It said there was a “modest slowdown” in global growth—to 3.0 percent in 2026 and 3.4 percent in 2027, compared to the average of 3.5 percent in 2024-25. The slowdown reflected the effect of the war in the Middle east which had been partially offset by investment in AI technology.

“Global economic activity and the outlook are being shaped by two major forces, pushing in opposite directions ... First is the negative supply shock induced by the war in the Middle East. Second is the ongoing positive technology shock manifesting in accelerated momentum of the global technology cycle, in no small part driven by advances in and deployment of artificial intelligence (AI) tools.”

This characterisation, based on the assertion that war and the development of AI technology are pushing in opposite directions is, to say the least, extremely short-sighted. While AI has the potential to bring enormous advances in the productivity of labour, its development within the framework of the profit system and deepening global conflicts is intensifying all the contradictions of global capitalism.

In the first place, the “success” of AI, which depends on its capacity to generate a sufficient rate of return on the

trillions of dollars being invested, requires the slashing of costs and the elimination of potentially millions of jobs—a process that has already started with the mass layoffs in the US high-tech sector.

Secondly, the development of AI, far from acting as a counterweight to the effects of war, is at the very centre of the struggle being waged by the US to maintain its dominance of the global economy against its rivals, above all China.

The projections of the IMF update for only a “modest” decline in global growth became outdated almost as soon as they were issued because these calculations “assume that the reopening of the Strait of Hormuz begins in mid-July, with conditions broadly returning to the prewar state of affairs by March 2027.”

These assumptions have been effectively blown out of the water with the escalation by the Trump regime of the military attacks on Iran amid the clamour from all sections of the US political establishment that he “finish the job.”

Even on the assumption of a return to “normal,” the IMF forecast growth in the advanced economies is just 1.7 percent in 2026 and 1.8 percent in 2027, with world trade volume growth slowing from 5.0 percent in 2025 to 3.5 percent in 2026.

And it warned that “AI hype and exuberant financial markets could ... sow the seeds of macro-financial instability.”

Freed from the constraints imposed by his official position as the IMF's chief economic spokesman, Gourinchas set out a more accurate assessment of the situation in his op-ed piece. He said his term, starting with the Russian invasion of Ukraine in 2022, followed by Trump's “volley of tariffs” and then the war in the Middle East, had posed the challenge of managing the economic fallout of wars.

“Too often,” he wrote, “these shocks are viewed as

isolated disruptions. They are not. They are interconnected symptoms of a deeper fragmentation reshaping the global economy. This fragmentation, both geopolitical and geoeconomic, risks ushering in what could become a new age of war. One defined not necessarily by constant military confrontation but by a persistent undercurrent of strategic economic rivalry and coercion and rising economic insecurity. And yes, also increased risks of actual wars.”

Like all defenders of the capitalist system, who regard it as the highest and indeed the only possible form of socio-economic development, Gourinchas is mystified as to how a world economic order that was relatively stable with the US at its centre and based on closer economic integration which had brought expansion of trade and improved living standards could have given rise to the present disintegration.

He at least pointed to the major factor—the shift in the world centre of gravity away from the US and the rise of other economic powers.

“With that shift, geopolitical pressures are intensifying, and the system is now under strain. That’s the paradox.”

The analysis of this “paradox” was provided more than 100 years ago by the leader of the Russian revolution, Lenin, in his work *Imperialism*, published amid World War One. There he detailed that the very dynamic of capitalism meant that any equilibrium, which provided the basis for peace at one point, must inevitably give rise to war at another because of the changes in relations between the major powers which disrupt the previous equilibrium.

The realities of the capitalist system, he wrote, meant that “general alliance of all the imperialist powers” was nothing more than a “truce” in periods between wars. “Peaceful alliances prepare the ground for wars, and in their turn grow out of wars; the one conditioning the other, producing alternating forms of peaceful and non-peaceful struggle on one of the same basis of imperialist connections and relations within world economic and world politics.”

The previous equilibrium was based on the global economic supremacy of US imperialism. But the very economic development to which it gave rise has eroded that supremacy and US imperialism is striving to maintain its position, both through economic and, above all, military means, setting off a struggle of each against all as they seek to maintain or advance their position.

“The result,” Gourinchas wrote, “is a dangerous feedback loop. As countries seek to insulate themselves

from perceived risks, they risk fragmenting the global economy further still. This, in turn, encourages further insulation efforts—through tariffs, industrial policy, financial regulation, export controls or rising military spending.”

He went on to recall a crucial historical experience and its obvious parallels with the present situation.

“We have seen such dynamics before. The world’s economy was highly integrated at the turn of the 20th century, at the height of the British-led expansion of trade, capital flows and immigration. What followed was a period of intense deglobalization, coinciding with rising nationalism and militarization—and two world wars. To assume that today’s economic integration—and peace—are here to stay would be complacent.”

Gourinchas called for a “course correction” based on a “more cooperative system built on shared rules and continued integration.”

But in the next sentence he noted that developments are proceeding in the opposite direction.

“Increasingly, the world’s superpowers are searching for strategic advantages, identifying choke points, adopting inward-looking policies and increasing military expenditures, all in the name of resilience and sovereignty.”

Gourinchas could offer no solution to the deepening crisis, save for a vacuous appeal to return to the supposed “ideals” of the IMF for cooperation contributing to growth and shared prosperity, because there is none within the framework of the of capitalist profit and nation-state system.

There is no realistic and viable solution to the deepening crisis of global capitalism as it plunges towards a new world war outside of the perspective of socialist revolution—the taking of power by the working class to open the way for the reconstruction of the world economy on socialist foundations.



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