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## ***Capitalism's World Economic, Political and Social Crises and the Road to Fight Back***

Today, world capitalism's neo-liberal globalization is best characterized as a new form of organization where global value chains have become the dominant form of production, employing workers for one out of every five jobs on the planet. From low to high tech commodities, basic consumer goods to heavy capital equipment, food to services, goods for the world market are now produced across many countries, integrated through global value chains.

Led by the dominant capitalist-imperialist nations, especially the U.S. and China, the system involves the capture and transfer of surplus value from workers in poorer countries to leading corporations in the advanced countries. Today, global value chain corporations that represent only 15 percent of all trading firms worldwide, capture some 80 percent of total trade.

This unprecedented globalization and monopoly concentration of capital is driven by the inherent contradictions in the capitalist system itself. Ever declining average rates of profit, as repeatedly demonstrated by British Marxist economist Michael Roberts, have been countered worldwide by ever intensifying attacks on working people, including union-busting at home, systemic racism/sexism/LBGTQI+ discrimination, massive social cutbacks, anti-labor legislation, layoffs, speed-up, part time casualization of work, forced overtime, cuts in fringe benefits, obliteration of pensions and the imposition of multiple-tier wage systems. When these prove insufficient to stem profit declines, the ruling elite embark on massive drives to transfer production [de-industrialization] outside their borders to further free themselves from the gains workers have won during decades of struggle.

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And when the competitive value chains become temporarily disrupted, as in China with the COVID lockdowns or with the U.S./NATO-instigated war in Ukraine, instant catastrophes are the order of the day. With competitive commodities from China's corporate behemoths momentarily absent or diminished from the world market place U.S. monopolies are free to raise prices with little restraint, fueling the greatest U.S. inflation rate – 8.6 percent – in the past 40 years. Meanwhile, U.S. fossil fuel monopolies, via the Ukraine War, aim to eliminate Russian gas and oil from competing for Western European markets, driving prices to record highs.

### **Origins of the present crisis: China enters the WTO**

The “de-industrialization” processes in the U.S., UK and Europe, aimed at offshoring jobs to low wage countries, in the early period especially to China, where China's 2001 entry/acceptance into the World Trade Organization (WTO) was negotiated based on its ruling class “Communist Party's” agreement to essentially open its economy to naked imperialist exploitation and penetration on a massive scale.

This included the systematic government-supported exploitation of China's labor force, the largest in the world, and the associated establishment of U.S. and EU plants in China where Chinese workers were paid, if they were paid at all, wage rates that matched the lowest on earth while guaranteeing foreign corporations near zero tax rates and other “concessions.”

Teenage Chinese women living in dormitory factories working 80-plus hour shifts seven days a week at six cents per hour was not far from the exception at these foreign and Chinese-owned sweat shops. Trade unions were non-existent.

In the U.S. the result was the offshoring of countless jobs to China and other low wage countries, from Vietnam to Bangladesh, Indonesia, Mexico and beyond. The process included such phenomena as major corporations like Apple employing some one million Chinese workers at near slave wages and hours and selling Apple iPhones for \$1,000, only a few dollars of which went to Chinese and other Asian workers at the low end of the value chain.

The process was repeated worldwide as the major capitalist nations of the North transferred plants to the South and East, with the consequent rise in unemployment in the North and an inevitable downward pressure on wages everywhere.

The de-industrialized globalization process in the leading capitalist nations opened the door wider than ever to every form of anti-immigrant racist prejudice based on the

inevitable claims that the Chinese and others had stolen their jobs and that immigrants from nations where imperialism had reduced their countries to ruin were doing the same.

### **The weakening of U.S. trade unions**

This de-industrialization process had the effect of weakening the trade union movement in the advanced nations while in the poor nations governments virtually guaranteed that foreign plants would not be subject to unionization. In the U.S. today, trade unions have been reduced to their lowest levels of representation in a century with just six percent of the private sector unionized. Saddled with an increasingly corrupt bureaucracy and tied to the Democratic Party and the capitalist system as never before, nothing short of a massive working class fightback, in alliance with the most oppressed and exploited, will suffice to return labor to center stage in the U.S. and worldwide.

The default of the labor movements in the advanced capitalist countries has been magnified by the de-industrialization process and the bureaucracy's incapacity to champion and organize workers from the oppressed communities and immigrants, not to mention in the relatively new Amazon-type super distribution warehouse plants surrounding by giant manufacturing corporations and transportation hubs, all of which are close to non-union.

### **China enters the world stage**

Since 2001, however, we have seen some critical changes in the world's capitalist system of production, marked especially by the Chinese capitalists inexorable drive to compete with the U.S. on a world scale. This has been based on China's strategic shift to building its own plants replete with the most modern technology – plants that rival and increasingly exceed the quality and productive capacity of those owned and operated by U.S. and European corporations in China or anywhere else in the world.

The U.S. corporate charge that China has stolen their “intellectual property rights” essentially fell on deaf ears, not to mention the fact that the WTO itself, with its built-in arbitration panels, was essentially relegated to a slow death, if not irrelevance. The world's leading corporations would not allow a panel of arbitrators to decide how they would run their economies or regulate worldwide competition. With the world's leading competitors, now including China, vying for markets, “dog eat dog” became the operative principle. The WTO regulators of decades past had the capacity, through threats of sanctions and bullying, to limit their world market competitors, but not today.

With China's rise as a major player, utilizing state-of-the-art technology in the sphere's of production and distribution, and its worldwide Silk Road value chain extracting \$billions

in surplus value from poor nations, the previous U.S. and allied, competitive advantage has or is rapidly disappearing. This largely explains the Trump administration's imposition of a series of punitive tariffs on Chinese exports to the U.S. While the Democrats initially opposed these tariffs, likely for fear that that they would also be imposed on Chinese imports to the U.S. that were manufactured by U.S. China-based corporations, the Biden administration, until recently, has continued Trump's tariff policy. Biden's June 2022 statements urging major U.S. tariff reductions are an open admission that U.S. tariffs on foreign imports were an important factor contributing to the present massive inflation waves brutally affecting the U.S. working class.

Needless to say the tariffs were "justified" on the pretext of punishing China's "human rights violations." The later, of course, highly publicized, were rarely, if ever, mentioned in reports of negotiations between U.S. and Chinese officials, including between Biden and/or Trump with China's President XI. The corporate media dutifully reported the U.S. presidents' press conference statements chastising China for its persecution of its Uighurs Muslim people, but few seriously believed that this persecution had any bearing on U.S. policy. Indeed, U.S. racist persecution of oppressed people in the U.S. and worldwide, including its multiple racist, colonialist wars of conquest, has significantly reduced U.S. political influence on the world stage.

This is not to justify or underestimate the virulence of China's systematic and horrendous persecution of the Uighur Muslim people, but only to expose the U.S. blatant hypocrisy on any and all human rights issues.

### **U.S. response to China's rise**

China's rise to the world stage, with a GDP today ever approaching if not exceeding the U.S., has posed the question of question for the U.S. ruling class. This simple fact explains the endless series of measures adopted by the U.S. ruling class to try to maintain its competitive edge in the world marketplace.

Let us review them briefly.

- The process begins with the generalized long-term shift in the nation's wealth from working people to the elite. This growth of inequality and working-class income stagnation and insecurity has always been a bipartisan project. During William Clinton's administration in the 1990s, the one percent garnered 45 percent of the increase in disposable national income. Under George W. Bush in the 2000s the one percent received 73 percent. Under Obama, the top one percent owned more private net wealth than the

bottom 90 percent of Americans, receiving almost all of the pre-tax income gains during his presidency.

The U.S. elite's income grew by 31 percent between 2009 and 2013, while the income of the bottom 99 percent increased by only 0.4 percent. This top one percent captured 95 percent of the income gains in the first three years of the Obama "recovery." During that period, the government's "quantitative easing" near zero interest rate programs provided direct capital subsidies in the \$trillions to the ruling class few.

- In contrast, those who had lost homes and jobs during the sub-prime mortgage debacle received little or nothing. Indeed, the Obama administration gave the task of aiding those with underwater mortgages to the very banks and companies primarily responsible for originating the usurious mortgages – which were then packaged as derivatives and sold to investors, who thus profited from the housing bubble and its collapse.

- Inequality has risen through both Democratic and Republican administrations for decades. When Ronald Reagan became president in 1981, the top 0.01 percent held 7 percent of the national wealth. By 2014, their share had tripled to 22 percent. Transnational corporations were allowed to minimize their taxes by shifting 40 percent of their foreign profits to lower tax jurisdictions, that is, tax havens. Between 1980 and 2014, none of the growth in per-adult national income went to the bottom 50 percent; two-thirds went to the top 10 percent; and 36 percent to the top 1 percent. Income skyrocketed at the peak of the pyramid, rising 121 percent for the top 10 percent, 205 percent for the top 1 percent, and 636 percent for the top 0.001 percent. This very uneven distribution continued even as the economic recovery began in 2021.

### **The Concentration and Centralization of Capital and Fictitious Capital**

- During this period the concentration and centralization of wealth increased with a vengeance. Over half of all public corporations have disappeared over the last twenty years. Between 1996 and 2016, the number of publicly listed stocks in the U.S. fell by roughly 50 percent – from more than 7,300 to fewer than 3,600. Mergers and acquisitions are the major cause for this delisting.

- The result of this increased concentration, centralization and financialization is evident. From 2007 through 2016, stock repurchases (especially the buying back of their own shares) by 461 companies listed on the S&P 500 index totaled \$4 trillion, an amount equal to 54 percent of their profits. These companies also declared \$2.9 trillion in dividends, 39 percent of their profits. To finance these takeovers, they increased corporate debt and used their takeover victims' cash reserves as collateral to borrow in order to facilitate the stock

purchase and finance payouts to investors while firing many of the employees of the dismembered corporations.

- *Thus, profits in U.S. capitalism today are rarely directed to building new plants, employing new workers and expanding output, but rather, in large measure, to purchasing or repurchasing company shares, which inflates the wealth of the group at the top that overwhelmingly owns corporate stock.*

### **Marx on the tendency of the rate of profit to fall**

That the corporate elite turn to massive financialization is a direct reflection of the falling rates of profit via investments in the productive sectors. In today's highly competitive capitalism average profit rates in these sectors are in a generalized and longtime decline due to what Marx called the ever-increasing organic composition of capital, that is, the relation between fixed capital (machines) and variable capital (human labor power). Simply put, as Marx explains in the first volume of *Capital*, the average value of any commodity is measured by the average amount of human labor power embodied in it in the course of its production. Over time, competition compels capitalists to repeatedly renovate their productive facilities substituting machines for human labor power. This initially benefits the first on the market with the new technology and allows them to sell their product at a price above its real value. But as the competition heats up, weaker companies drop out while more serious competitors introduce even more advanced technological innovations and this initial advantage diminishes. In time the price and value of commodities tend to reach equilibrium and the corresponding average rate of profit declines in correspondence with the reduced quantity of human labor power embodied in all commodities. This simple explanation accounts for capital's hesitancy to invest in ever more advanced technology where profit rates are ever declining.

### **Unprecedented government-fueled stock market speculation**

Hence, today's massive turn to the financialization of capital, that is, massive "speculative" investments in the stock market and related speculative schemes. This has been qualitatively accelerated by the government's literally gifting the corporate elite with \$trillions in loans at near zero interest rates, loans that it justifies in the name of helping corporations build new plants to supposedly employ more workers. In truth, this has rarely been the case. Instead the corporate elite increasingly invest in the stock market but this time around, as we shall see, with a twist.

Long-time observers were appalled by the extent to which the Federal Reserve went in 2020 as compared to the 2007–09 financial crisis in subsidizing the financial sector. The

Federal Reserve once again made trillions of dollars in near free money available at interest rates that were already in the range of 0 to 0.25 percent. Lending trillions of dollars that were available on any quality of collateral, and making loans directly to companies, exposed the Reserve to absorbing any losses in order to try to return the market back to the way it had been. This credit expansion, quantitatively larger than any other rescue assistance in history, assured speculators that they would be rescued again the next time. This massive investment of fictitious capital does not have an assured material basis in commodities or productive activity. It relies instead on the anticipated future value created to justify its exchange. Few believe that this anticipated future will ever be realized.

### **From “speculative” investments to guaranteed profits**

The top corporate elite increasingly invest this “free money” gifted to it by the Federal Reserve or the U.S. Treasury, plus the money it acquires by selling off the capital derived from its ongoing mergers and buyouts, into the stock market, often to purchase its own stock, knowing full well that its “insider knowledge” of these transactions, previously “illegal,” is today the routine practice. This simple notion was central to the unprecedented rise in stock market prices at a time of unprecedented attacks on working people. The speculative or “casino capitalism” previously attendant to stock market transactions has been significantly changed to a system wherein the insiders, the corporate executives who oversee the buyback transactions of their own stock, know in advance that the result will redound to their personal fortunes.

So spectacular has been the rise of the U.S., Japanese and European stock markets that Chinese capitalists, until recently, have been increasingly eager to list their corporations on U.S. markets, if not others. “If they are giving away free money, why exclude us?” might be the refrain of China’s billionaires. China too has its government bailouts in operation as with the recent defaulting mega real estate, Evergrande corporation that proved incapable of meeting payments on its \$400 billion in debts.

### **Bailing out the super rich on all fronts**

Today’s super enrichment of the capitalist elite is further accelerated by the government’s tax reductions that grant additional \$trillions to the corporate elite. Aimed at assuming a popular image President Biden railed against the fact that the rich “really don’t pay taxes” while promising legislation to compel them to do so. It never happened.

Some 80 percent of the government’s touted \$800 billion Pay Check Protection program was revealed to have gone to the top 20 percent! That is, the promise to grant essentially

non-repayable loans to “small” corporations that retained their workers during the pandemic and related crises turned out to be yet another corporate rip off, with employers –including major corporate chains – pocketing the government’s funds and largely firing their workers.

The same with Biden’s touted infrastructure program, gutted of any serious measures to thwart climate catastrophe, while allocating \$trillions to private corporations to supposedly rebuild and repair highways, bridges and tunnels.

This combination of “quantitative easing loans,” tax cut legislation and the recent emergency legislation all contributed to the disgusting fortunes of the elite while workers suffered from massive evictions, layoffs, not to mention bearing the brunt of the now one million dead in the U.S. to date and over 17 million worldwide from the COVID-19 pandemic.

Meanwhile, Tesla’s Elon Musk, whose multi-billion dollar fortune might eventually make him the world’s first trillionaire was asked to pay the repair fees to the Dutch government to allow his all-electric \$800 million super yacht to depart Rotterdam, via disassembling an historic bridge that stood in its path! Since then Musk is seeking to engineer his \$33 billion takeover effort of Twitter, by leveraging Tesla’s stock market capital. Intent of ensuring his control of Twitter’s political content – in the name of “free speech” (for billionaires) of course – among his first deeds was a pledge to restore Donald Trump’s Twitter account.

### **U.S. war spending**

U.S. war spending, raised to historic levels under Trump and Biden, also contributes massively to capitalist profits in this-highly monopolized industry where the correspondence been the value of deadly weapons of war, – planes, tanks, submarines, air craft carriers and bombs, etc. – and their price is virtually non-existent. The example of the \$10,000 price tag on a toilet seat on a nuclear submarine applies more generally to all items of warfare from fighter jets to multi-billion dollar aircraft carriers. War is good for profits! Full stop! The more wars the better! is the unwritten credo of the military-industrial complex, where yesterday’s generals become tomorrow’s multi-millionaire corporate executives. Biden’s recent request for an additional \$33 billion for the U.S.-instigated war in Ukraine was instantly upped to \$40 billion on top of the unprecedented U.S. annual war budget of \$800 billion, a figure that represents close to half of all U.S. discretionary spending. Biden’s recent appearance at a Lockheed Martin Javelin Missile plant, where he told assembled workers that they were contributing to U.S. efforts at world



peace and that they should produce as many weapons of war as possible as their patriotic duty, informs us once again that the private U.S. military-industrial complex and the public government of the U.S. exist to advance the interests of a ruling class whose very operations are inseparable from waging wars of death and destruction around the world. With 1100 U.S. military bases in 110 countries, the U.S. war machine and the capitalist class and government behind it, stand as the most blood-soaked genocidal monstrosities in world history.

### **In the COVID era re-calculating the cost of life**

Today's capitalist elite in most of the advanced capitalist nations have calculated that defending against COVID deaths is subordinate to protecting the lives of working people. Back to work orders in the face of reported 250,000 new cases daily, increasing institutional rejection of mandatory mask wearing, reducing the required distance between people in schools and other public places, are increasingly the norm, with the ruling rich calculating that a combination of "acceptable deaths," 2,500 daily in the U.S. a few months ago, and "herd immunity" will suffice to meet capitalism's needs.

The less than two percent vaccination rates in the poorest countries informs us that the racist, colonial capitalist system sees the lives of the most oppressed as near worthless, unless that is, they can be chained to the various globalized value chains.

The COVID pandemic highlights the decrepit state of increasingly privatized for profit world healthcare. The fact that giant pharmaceutical companies extort countless \$billions in profits and scientific research on critical health issues remains in the purview of corporate profiteers are telling indictments of a system whose inherent operations subordinate human life to capitalist profit. We will only add that the pandemic itself, one among many that have already plagued humanity, is a direct product of the ongoing destruction of the environment and encroachment on nature that increasingly places human beings in contact with disease carrying animals from which we have been previously isolated.

### **U.S. Debt**

Today, the U.S. debt has ballooned to an historic high of \$30 trillion, a sum approaching, if not already exceeding, the total annual U.S. GDP! No doubt payment of this debt by working people in the form of increased taxation and social cutbacks is the perspective of the ruling rich.

Today, 37 percent of this debt is owned by foreigners who had operated on the assumption that U.S. bonds were stable and safe investments. The U.S. has the largest external debt in

the world, an increasingly worrisome fact in the context of an economy increasingly divorced from commodity production, and today plagued with an inflation rate approaching nine percent, a rate not seen in the past 40 years. In addition to food prices rising at an annualized rate of 8 percent, working people have been compelled to endure piped gas price rises of 24 percent and gas pump fuel price rises of 40 percent.

The June 12, 2022 Federal Reserve announcement of a .75 percent rate increase in loans to the corporate elite aimed at dampening inflation, along with weeks of anticipation of this increase, sent a shock wave through Wall Street, which saw all major stock indexes plunge by more than 20 percent, portending a major recession. The government's "free money" spigot was temporarily squeezed tighter making it harder for the corporate casino players to turn near free federal loans into instant stock market profits. The banking monopolies were quick to respond, raising average home mortgage loan rates for working people to six percent at a time when escalating real estate prices have put homeownership beyond the reach of addition millions.

### **The rise of the far right and neo-fascists in the U.S.**

The January 6, 2021 Trump-inspired mob attack on the U.S. Capitol building provided a glimpse of what his wing of the ruling elite had in store for the American people. His plan was to literally steal the election via the deployment rightwing-led force and violence. He aimed to storm a joint session of Congress in progress and void the U.S. elections by forcing the Congress to reject certification of the vote results. This was accompanied by a series of 100 lawsuits eventually destined to be validated, he expected, by his Supreme Court majority. Associated tactics included pressuring various state election officials to engage in vote recounts that would give him, not Joseph Biden, an Electoral College majority. In the event of mass street protests challenging his planned coup, Trump counted on his generals to take the streets en mass and arrest leftist troublemakers.

### **Trump coup plan disintegrates**

All this came to an ignominious conclusion when Trump ran into the concerted and combined opposition of the dominant wings and institutions of the U.S. ruling class, from the multi-billionaires of the decisive corporations to the military, the CIA, FBI and even the minority leader of the Republican Party. Indeed, Trump's aspirations for a form of dictatorial rule ended on election night, months before the January 6 events. When he refused to concede the election results he was met with massive resignations from his own staff and cabinet. In truth, the U.S. ruling class decided against a Trump presidency long before the November 2020 election. In their great majority, the nation's ruling elite, seeing

no need for an overt dictatorial regime, decided to orient their main forces into the Biden campaign, including spending unprecedented \$billions on their kept media and warning Trump-influenced elements in the military and judicial system that a Trump coup was not on the ruling class agenda. The ruling elite, at least for now, has no need for an imposed fascist-type rule, especially when it is not confronted with anything resembling a serious threat from the U.S. workers' movement.

### **The international rise of the far right**

That Trump-type neo-fascist currents exist and are growing around the world is not in dispute. Their representatives met several months ago in Spain, including central leaders of the reactionary "populist-nationalist" Hungarian and Polish ruling parties as well as Marine Le Pen from the neo-fascist National Rally party in France, formerly the National Front. These currents, as with Trump's Republican Party majority, and similar formations in India, Modi's BJP, and Bolsonaro's Social Liberal Party, largely base themselves on disaffected middle class layers as well as working class elements alienated from the traditional capitalist parties, that they blame for massive job losses, de-industrialization, small business failures and the influx of immigrants allegedly taking their jobs.

In the absence of serious fighting working class alternatives these currents are on the rise, some increasingly threatening violent scapegoating attacks on the most oppressed. But they remain in a distinct minority and even more so when militant forces take to the streets to express their deeply felt grievances, as with the 25 million who joined the unprecedented U.S. Black Lives Matter protests against systemic racism or the tens of millions who mobilized to defend Indian farmers, or the masses in Chile who decisively rejected the Pinochet era constitution. Similarly, the worldwide mass mobilizations against impending climate catastrophe and in Latin American and Europe, and now in the U.S., for the right to abortion, have inspired millions that fundamental change can and must be won in the streets as opposed to subordination to the parties of the capitalist status quo.

Today's working class and youthful mobilizations have been the norm across the globe, but most have been sorely lacking in an independent class struggle leadership aimed at winning the vast majority to a clear break with institutional capitalist politics. A break of this magnitude, led by disciplined forces committed to challenging capitalist rule itself, is a prerequisite to reversing capitalism's doomsday scenario. That the rich have nothing on their agenda but defending their profits at any cost via endless wars abroad and increasing incursions on working people at home cannot be denied. That workers and their allies can

and will find ways to advance their interests is also beyond dispute, provided only that an independent, socialist and united leadership can be forged to lead the way.

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