



# REVOLUTIONARY COMMUNISM

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# World Perspectives 2016 (Part 1) Crisis of the World Economy

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Advancing Counterrevolution and Acceleration of Class Contradictions

Mark the Opening of a New Political Phase (Part 1)

*Theses on the World Situation, the Perspectives for Class Struggle and the Tasks of Revolutionaries (January 2016)*

*Document of the International Executive Committee of the Revolutionary Communist International Tendency, 23 January 2016*

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# Advancing Counterrevolution and Acceleration of Class Contradictions Mark the Opening of a New Political Phase (Part 1)

## Theses on the World Situation, the Perspectives for Class Struggle and the Tasks of Revolutionaries (January 2016)

A new political phase has begun. The following document summarizes the most important political developments in the world during the last 12 months which mark the opening of this new phase. Based on this analysis we offer an outlook for 2016 and elaborate the crucial tasks for the working class. We will not deal with all issues in similar detail, since the *Revolutionary Communist International Tendency* (RCIT) has published extensive statements and analysis on many of them in the recent past. Therefore,

in this document we shall focus on our analysis of the world situation, while elaborating in less detail the RCIT's strategic and tactical conclusions for the class struggle. For these latter perspectives we refer readers to our recently published *Open Letter for Revolutionary Unity* as well as other documents.<sup>1</sup> Finally we draw the readers' attention to the fact that this document expands upon the analyses of the global political situation which the RCIT has published during the past three years.<sup>2</sup>

### I. The Main Features of the New Political Phase

1. The following issues will be decisive on world politics in the coming period:

i) The stagnation of the global capitalist economy and the looming next Great Recession;

ii) The advancing counterrevolution as a result of the offensive of the bourgeoisie against the working class and the oppressed exemplified by (a) the anticipated liquidation of the Syrian Revolution by a Great Powers' settlement, (b) the rise of the right-wing forces in Latin America, and (c) the increasing repression and militarization of the EU.

iii) The accelerating imperialist war drive – by the US, Russia, UK, France and Germany – in the Mashreq and Maghreb (Middle East and North Africa) against Islamist-led popular rebellions and, related to this, the stream of refugees flooding into the neighboring countries as well as into Western Europe;

iv) The continuing aggravation of the inter-imperialist rivalry between the western imperialists (the US, EU, and Japan) on one hand and the eastern imperialists (Russia and China) on the other.

2. The counterrevolutionary offensive in the context of the accelerating capitalist contradictions opens a new interim period. In this period the working class and the oppressed – particularly in the Mashreq and Maghreb, Latin America and Europe – are faced with the danger of serious defeats. Against this backdrop, the working class suffers particularly seriously from its crisis of leadership. Given the lack of revolutionary leadership, the working class and the oppressed are misled by reformists, petty-bourgeois nationalists and Islamists.

3. At the same time the class struggle is on the rise in the two most populous and demographically grow-

ing continents, Africa and Asia. While, with important exceptions, many of these struggles currently ostensibly have just an economic character, they reflect the growing importance of these regions of the world proletariat (one could say its "strategic reserve divisions"). In particular, the economic crisis in China, combined with an increasingly combative and self-confident proletariat, could result in a political explosion. Naturally, such a possible revolutionary situation in the world biggest country and one of the two biggest imperialist powers would have dramatic global implications and would immediately change the character of the current political phase. However, here too the working class desperately needs new, revolutionary leadership in order to meet the challenges.

4. The accelerating crisis of the global capitalist system will unavoidably sharpen – in all world regions – the clashes and struggles being waged along the three fronts of imperialism's contradictions: (a) the struggle between the bourgeoisie and the world proletariat; (b) the struggle between the Great Powers and monopoly capital against the oppressed people in the South; and (c) the conflicts between the imperialist rivals. These, in turn, will provoke revolutions, counterrevolutions and wars, and offer numerous opportunities (as well as dangers) for the working class to advance in its struggle for liberation.

5. This is why the RCIT considers the main task to be the overcoming of the crisis of working class leadership by advancing the formation of a revolutionary party, both nationally and internationally. In order to draw closer to this goal, the RCIT calls for serious discussion and if possible steps towards unification among serious revolutionary forces. This is the purpose of the RCIT's *Open Letter* which we launched recently.

## II. The Decay of the Productive Forces and the World Historic Revolutionary Period which Opened in 2008

6. As we have outlined in numerous documents during the past seven years, a *world historic revolutionary period* opened in 2008 with the start of the Great Recession which brought about the acceleration of class contradictions and exacerbated inter-imperialist rivalry.<sup>3</sup> The political phases within this historic period are impossible to understand without a clear picture of the period itself since it is such periods – lasting for years, if not decades – which constitute the economic and political contexts of the fundamental dynamic of class contradictions and is the result of the development of the productive forces and the relations between the oppressor and oppressed classes as well as between the imperialist powers.

7. Most fundamentally, the new historic period which opened in 2008 is characterized by a *dramatic decay of the productive forces*. While the epoch of imperialism is *generally* marked by a stagnation of the productive forces, within it there are periods of varying tempos and dynamics for the development of the productive forces. For example, a period of relative growth, as was the case during the “long boom” in the 1950s and 1960s, was an exception to the overall trend of the epoch, and was attributable to the revitalization of productive forces which had been utterly devastated during the preceding decades by two world wars. Furthermore, the groundwork for this resurgence of capitalistic growth was laid by the historic defeats of the working class, the establishment of the US’s absolute political, economic and military hegemony in the imperialist camp, and the reactionary Yalta agreement between the victorious imperialist powers and the Stalinist bureaucracy. However, such an exceptional period of a “long boom” could not last for very long. It ended in the late 1960s with the revolutionary events in 1968, the collapse of the Bretton Woods system, and a recession in 1974/75. A new period of crisis, depressed accumulation of capital, and ever-strengthening contradictions of capitalism created the preconditions for the eventual financial meltdown of 2008 and the opening of the new historic period.<sup>4</sup>

8. The fundamental cause behind depressed capital accumulation (or over-accumulation) and the consequent crisis-ridden business cycle of the capitalist world economy is the law of the tendency of the rate of profit to fall. As Marx elaborated in *Capital Vol. III*, this means that, in the long run, the share of surplus value becomes smaller relative to all of the capital invested in production (in machinery, raw materials, etc., as well as wages as wages paid to workers). Therefore, the surplus value which can potentially be used for the reproduction of capital on an extended level becomes less and less. This inevitably leads to disruptions and crises and a historic tendency of decline. While numerous left-reformists and centrists (e.g., the CWI) openly or clandestinely ignore this law, Marx emphasized:

„This is in every respect the most important law of modern political economy, and the most essential for understanding the most

*difficult relations. It is the most important law from the historical standpoint. It is a law which, despite its simplicity, has never before been grasped and, even less, consciously articulated.“<sup>5</sup>*

9. A number of Marxist economists – like Andrew Kliman, Michael Roberts, Guglielmo Carchedi, Alan Freeman, Minqi Li, Feng Xiao, Andong Zhu and Esteban Ezequiel Maito – have demonstrated in their works the historic validity of the law of the tendency of the rate of profit to fall (see e.g., Figure 1, 2, 3 and 4). Naturally, over-accumulation of capital and the tendency of the rate of profit to fall is not a linear process, but its tempo and dynamics are influenced by various counter-veiling tendencies – most importantly by the relation of forces between the classes, i.e., the political class struggle.<sup>6</sup> However, while such factors can for some time slow down or temporarily halt the fall of the rate of profit (as happened in the 1990s, for example, as a result of the coalescing neoliberal offensive, advance of imperialist globalization, and the collapse of the Stalinist workers’ states), they cannot stop – or even reverse – the decline for in the long run.

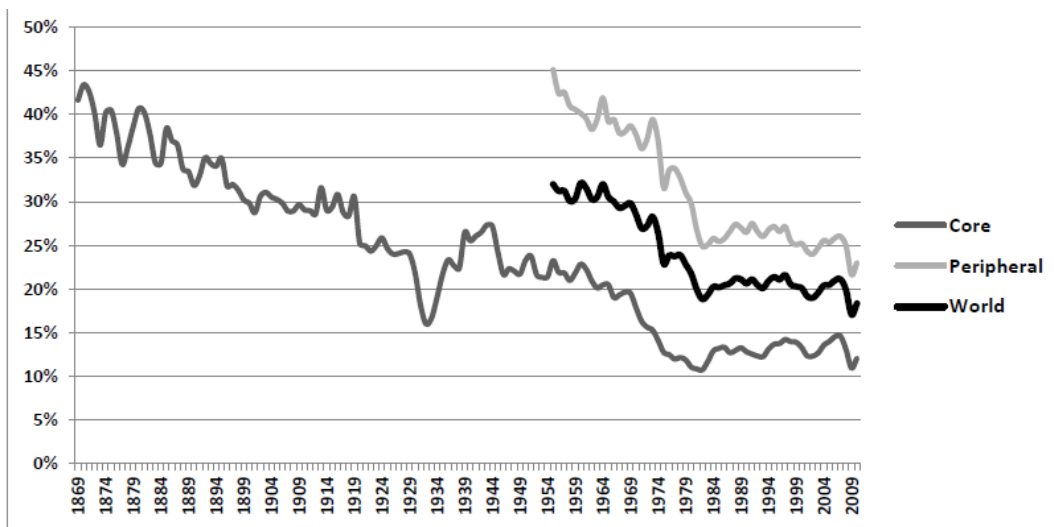
10. The tendency of the rate of profit to fall led in turn to a decline of the rate of capital accumulation, i.e., the expanded reproduction of capital, as well as of output. In Table 1 we see the decelerating dynamic of the growth of the global Gross Domestic Product from an annual average of +3,8% in the 1970s to +3,2% (1980s), +2,8% (1990s), +2,6% (2000s) to +2.4% (2011-2013). The industrial sector, which is a better indicator for the dynamic of capitalist output because it represents the core of capitalist value production, shows an even clearer declining tendency in the old imperialist countries. As Table 2 demonstrates, industrial growth has declined in the imperialist centers from a positive range of 5–13% in the 1960s down to an actual reduction in the 2000s.

11. The tendency of capitalist decline becomes even more pronounced if we examine the dynamic of capital accumulation in the imperialist metropolises during the same period (see Table 3 as well as Figures 5 and 6). While the growth rate of capital accumulation in the US, Japan und EU-15 was between 5% and 15% in the 1960s, it declined to between 2% and 5% in the subsequent decades. In the first decade of the new millennium, there was outright stagnation or even decline (with a growth rate of between +0.4% and -1.9%). Figure 7 shows the marked slowdown of growth of the capital stock in Germany. On a global scale, capital investment as a share of GDP declined from 26.1% in the 1970s to 21.8% in 2009.<sup>13</sup>

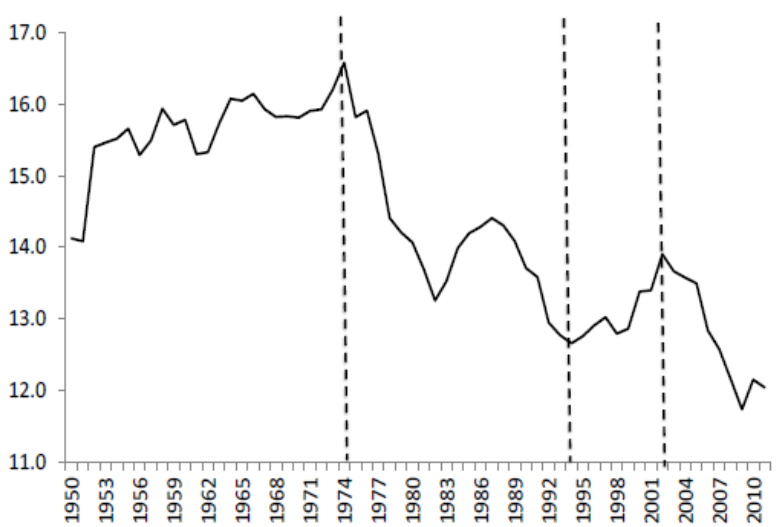
12. To this we should add that, in bourgeois economic statistics, the category of *Gross Fixed Capital Formation* is a figure distorted upward since it includes dwellings (the “value” of which can be unjustifiably high given the speculative nature of the property market) and intangible assets (which includes “investments” to buy trademarks, copyrights and patents from others). In its recent outlook on the global economy, the United Nations points out that official investment figures massively overestimate produc-



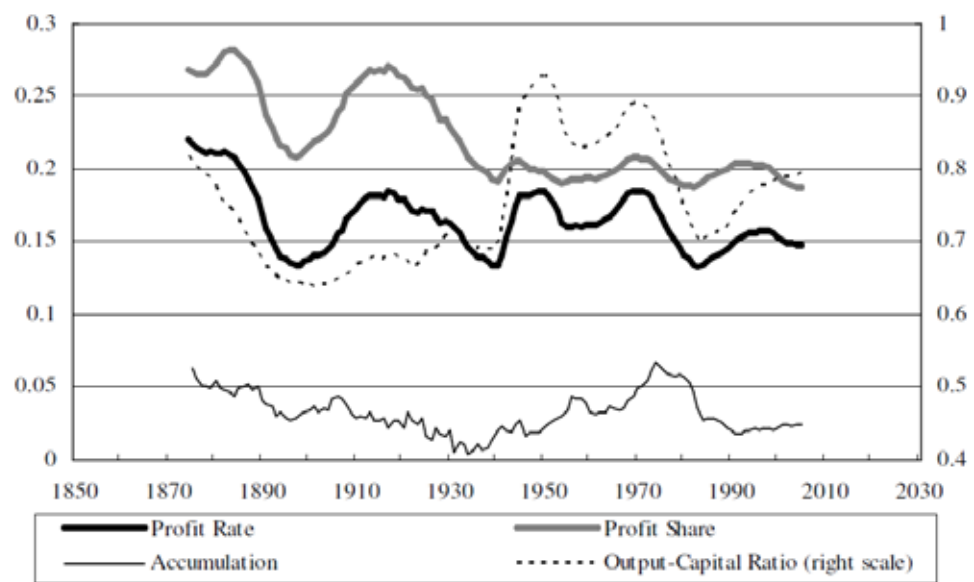
**Figure 1. World Rate of Profit and Average Rate in Core and Peripheral Countries (1869-2010) <sup>7</sup>**



**Figure 2. World Rate of Profit (G20 Countries), 1950-2011 Simple Mean, in % <sup>8</sup>**



**Figure 3. Profit Rate and Accumulation, “World” 1870-2005 <sup>9</sup>**



tive capital accumulation: “Investment in productive capital has been even weaker than the total investment figures suggest, as dwelling and intangible assets account for the majority of investment in developed economies. According to OECD data on fixed capital formation, investments in intangible and intellectual property assets together represent the largest share of fixed capital formation in a number of developed economies in 2014, including in Germany (47.2 per cent) and the United States (42.3 per cent). Acquisition of intangible assets, such as trademarks, copyrights and patents, may increase financial returns to firms without necessarily increasing labour productivity or productive capacity.”<sup>18</sup> In addition, a decreasing share of investment is used to expand capital stock, and instead is increasingly directed to replacing depreciated fixed capital. According to the McKinsey Global Institute, 56% of global gross capital formation is used to replace consumed capital, while only 41% is channeled to net capital investment. (The remaining 3% is invested in replacing inventory).<sup>19</sup>

13. As the rate of profit declines, capitalists prefer not to invest their money in the real economic production but instead use it to speculate in the financial sector. This trend has been particularly observable in recent years. As we have discussed in previous *World Perspective* documents the US administration reacted to the Great Recession with so-called *quantitative easing* (QE).<sup>20</sup> This means that central banks buy up government, corporate and mortgage bonds by “printing” money by the central bank in the hope of injecting “liquidity” into the economy. It was nothing less than this state-capitalist financial Keynesianism which kept interest rates low so that the capitalist class, which is deeply in debt, would have to pay only minimal interest and while at the same time boosting the prices of bonds and shares, thereby increasing the profits of financial capitalists. However, it did not revitalize the accumulation of capital in the real economy. The United Nations, expressing their narrow bourgeois view considers this development as “surprising”. It reports: “While QE injected liquidity into the financial system, a significant portion of that additional liquidity actually returned to central banks’ balance sheets in the form of excess reserves, which possibly explains why QE has had only limited effects on boosting aggregate demand or investment rates in many developed countries. Between January 2000 and August 2008, the excess reserves of banks on the Fed’s balance sheet averaged \$1.8 billion. The total volume of excess reserves in the Fed reached \$1 trillion by November 2009. As of October 2015, the Fed has excess reserves of \$2.6 trillion, which represents nearly 75 per cent of total assets purchased by the Fed since the onset of the financial crisis. The ballooning of excess reserves since the crisis demonstrates that financial institutions generally chose to park their cash with the Fed instead of increasing lending to the real economy”<sup>21</sup> (see Figure 8).

14. Finally, we can also verify the declining dynamic of the productive forces by looking at the development of labor productivity. As we can see in Figure 9, 10 and 11 the average growth of labor productivity has gradually declined in nearly all capitalist countries since the 1950s. This long-term tendency has particularly accelerated in the new historic period of capitalist decay which opened in 2008. As we can see in Table 4, labor productivity (measured in output per hour worked) declined significantly in nearly all major capitalist economies since the beginning of the new period.

15. This decline of productivity has been caused by

the falling rate of profit and depressed capital accumulation, and not by rising wages for the working class. In fact, quite the opposite is true: world-wide wages grew less in 2009–13 than in the years 2000–08, i.e., before the Great Recession. According to the United Nations, the gap between the average annual growth of global wages and of labor productivity was +0.2% in the period 2000–08 but +0.6% in 2009–2013. In other words, the capitalists were able to substantially increase the rate of surplus in the new historic period.<sup>27</sup>

16. Finally, another feature which reflects the decline of the productive forces is the significant slowdown in world trade. In the past few years, world trade grew less than half of its rate of growth before the Great Recession: “At 3.6 percent in 2014, global trade growth continued to be substantially weaker than its pre-crisis average of about 7 percent.”<sup>28</sup> In Figure 12 we show a graph of the *Credit Suisse* which compares global trade with the dynamic of industrial production. Such a development has similarities to the inter-war period in the 1920s and 1930s. While world trade grew substantially before 1914, it was massively reduced after the World War I. This reflected the general decline of the productive forces at that time. Obviously, the bourgeois economists today don’t think in such historic terms. But they do manage to indicate the cause of the decline of world trade. In a recently published essay, the *World Bank* economists identify “weak demand” as an important factor, which is just another way of expressing the negative consequences of the present crisis on investment and consumption. In addition they point out that the period of advancing globalization of trade is over and protectionism is on the rise: “There are signs that protection continued to rise even after 2009. For instance, in the year leading to May 2014, Group of Twenty (G-20) members put in place 228 new trade restrictive measures. Worryingly, while the measures imposed since 2009 were meant to be temporary ones, the vast majority of trade restrictive measures taken since the global financial crisis have remained in place.”<sup>29</sup>

17. Finally, the slowdown in world trade reflects the rise of China as an economic power. Today, Chinese enterprises produce much fewer parts and components for foreign corporations than they did in the past. Instead Chinese corporations increasingly complete the production of commodities themselves in their own country before exporting them (see Figure 13). The World Bank comments: “The decline in China’s trade elasticity can be explained by the rising amount of domestic value added in its exports. For instance, the share of Chinese imports of parts and components in China’s total exports has declined from a peak of 60 percent in the mid-1990s to the current share of approximately 35 percent, implying a diminished fragmentation of the production process. Further evidence of this change is the substitution of domestic inputs for foreign inputs by Chinese firms, which underpins the rise in domestic value added to trade.”<sup>31</sup>

18. Furthermore, the deceleration of the growth of world trade is not only a reflection of the decline of the productive forces; it also directly affects them negatively. As we know, the capitalist world economy is dominated by a small number of monopolies. Some years ago, economists published a study which was widely discussed in the academic community and which came to the conclusion that 147 alone corporations controlled 40% of the global economy: “They discovered that global corporate con-

**Table 2. Growth Rate of Industrial Production in USA, Japan and EU-15, 1961–2010 (in % p.a.)** <sup>12</sup>

	USA	Japan	EU-15
1961–1970	+4.9%	+13.6%	+5.2%
1971–1980	+3.0%	+4.1%	+2.3%
1981–1990	+2.3%	+3.9%	+1.7%
1991–2000	+4.0%	+0.1%	+1.6%
2001–2010	-0.2%	-0.4%	-0.3%

**Table 3. Growth Rate of Gross Fixed Capital Formation in USA, Japan and EU-15, 1961–2010 (in % p.a.)** <sup>14</sup>

	USA	Japan	EU-15
1961–1970	+4.7%	+15.7%	+6.0%
1971–1980	+3.3%	+3.5%	+1.9%
1981–1990	+3.5%	+5.7%	+2.8%
1991–2000	+5.4%	-0.6%	+1.8%
2001–2010	-0.4%	-1.9%	+0.4%

**Table 1. Average Annual Growth Rate of the World Gross Domestic Product, 1971–2013 (in % p.a.)** <sup>11</sup>

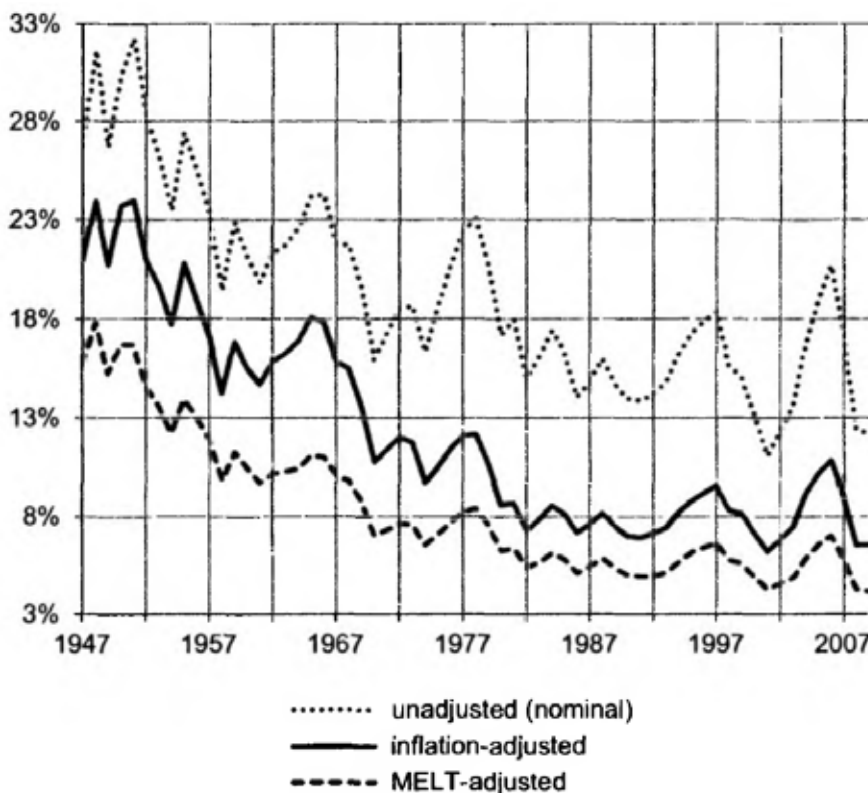
1971–1980	+3.8%
1981–1990	+3.2%
1991–2000	+2.8%
2001–2010	+2.6%
2011–2013	+2.4%

**Table 4. Growth of Labor Productivity, Before and After the Great Recession in 2008/09** <sup>26</sup>

*Average percentage change per year (Measured as real GDP per hour worked)*

Country	2001–2007	2009–2014
France	1.5	0.9
Germany	1.3	1.2
Japan	1.6	1.2
United Kingdom	2.2	0.3
United States	2.0	0.9
China	9.5	7.4
India	4.4	7.0
Russian Federation	5.4	2.0
South Africa	3.1	1.5

**Figure 4. Inflation-Adjusted Before-Tax Profit Rates, 1947-2009 (US Financial as well as Nonfinancial Corporate Sector)** <sup>10</sup>



trol has a distinct bow-tie shape, with a dominant core of 147 firms radiating out from the middle. Each of these 147 own interlocking stakes of one another and together they control 40% of the wealth in the network. A total of 737 control 80% of it all.”<sup>33</sup> Clearly such mega-corporations need a large, i.e., global, market to produce and sell their commodities, to invest their capital, etc. Any reduction of the world market has massively negative consequences for prospects of increasing their profits. Under such circumstances, it is unavoidable that the capitalist monopolies, and the Great Powers as their political instruments, will increase their aggressive efforts to outmaneuver their rivals, to protect “their” markets and spheres of influence and to launch wars if necessary for their interests. Trotsky remarked at the beginning of World War I:

*“The forces of production which capitalism has evolved have outgrown the limits of nation and state. The national state, the present political form, is too narrow for the exploitation of these productive forces. The natural tendency of our economic system, therefore, is to seek to break through the state boundaries. The whole globe, the land and the sea, the surface as well as the interior has become one economic workshop, the different parts of which are inseparably connected with each other. This work was accomplished by capitalism. But in accomplishing it the capitalist states were led to struggle for the subjection of the world-embracing economic system to the profit interests of the bourgeoisie of each country. What the politics of imperialism has demonstrated more than anything else is that the old national state that was created in the revolutions and the wars of 1789-1815, 1848-1859, 1864-1866, and 1870 has outlived itself, and is now an intolerable hindrance to economic development.”*<sup>34</sup>

If such an assessment was correct in 1914, it is ten times more correct today, when the monopolies have accumulated so much power, and when capital accumulation and technique have developed so much in the past 100 years!

19. However, the decay of capitalism manifests itself in manifold ways. When Marxists speak about the decay of the productive forces, they do not limit this phenomenon to economic development. They also mean, first and foremost, the working class and humanity in general as the most important productive force. Marx himself emphasized this idea repeatedly: *„Of all the instruments of production, the greatest productive power is the revolutionary class itself.”*<sup>35</sup>

20. According to the United Nations, 100,000 people die of hunger every day and about 852 million people suffer from chronic hunger.<sup>36</sup> This scandalous situation exists despite the fact that the world already produces more than 1 ½ times enough food to feed everyone on the planet (and even the estimated population of 9–10 billion in 2050).<sup>37</sup> However, in a world in which 2.2 billion people live on less than US \$2 a day (in 2011), many can not afford to buy sufficient amounts of food.<sup>38</sup> Furthermore, since agriculture and the food industry are dominated by multinational corporations who plan production solely to increase their profits, the quality of food is increasingly degraded. As a result, regardless of the fact that global agriculture produces 17% more calories per person today than 30 years ago, the urban and rural poor are increasingly forced to eat cheap and unhealthful fast food. Hence, according to the WHO, obesity and overweight have become an epidemic. In 2014, more than 1.9 billion adults, 18 years and older, were overweight. Of these over 600 million were

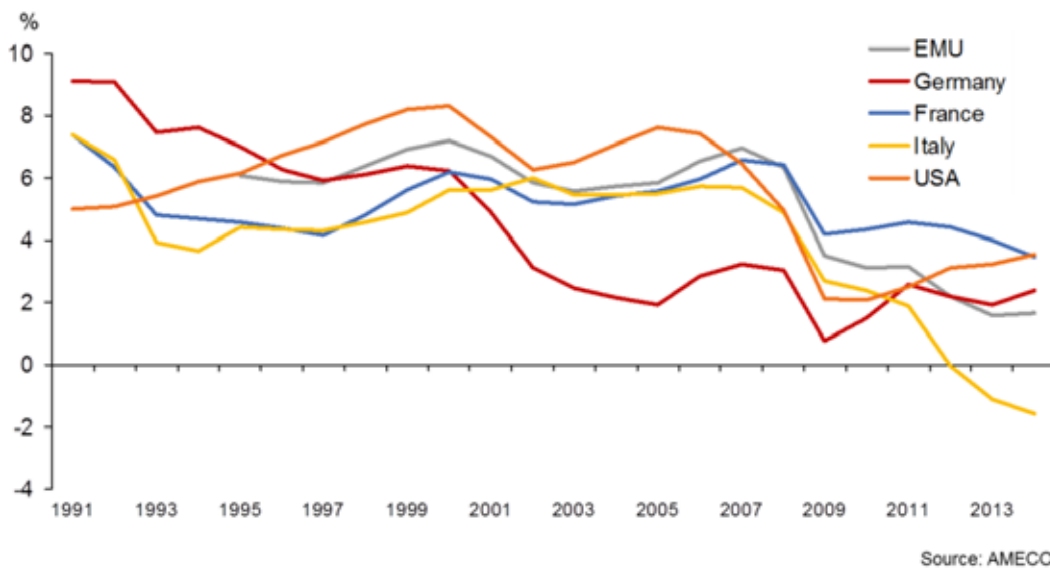
obese. In other words, worldwide obesity has doubled or tripled, especially in developing countries, since 1980. Today most of the world’s population lives in countries where overweight and obesity kill more people than malnutrition.<sup>39</sup>

21. Furthermore, as a result of capitalist domination, humanity as a whole is increasingly exposed to the destructive character of many productive forces. Marx and Engels already pointed out in *The German Ideology* that as long as capital owns the means of production, the productive forces are increasingly transformed into destructive forces: *„We have shown that at the present time individuals must abolish private property, because the productive forces and forms of intercourse have developed so far that, under the domination of private property, they have become destructive forces, and because the contradiction between the classes has reached its extreme limit.”*<sup>40</sup> As it is well known today, the capitalist system of production for profit is increasingly destroying the climate. As a result, climate change is an accelerating, posing an increasing danger for humanity. In 2008, 36 million people were displaced by natural disasters. At least 20 million of those people were driven from their homes by disasters related to climate change, like drought and rising sea level. But this was only the beginning: according to different projections, the consequences of climate change will have devastating consequences for many countries and their population. With a global warming of three degrees, twelve countries around the world could lose more than half of their present land area and about 30 countries could lose one tenth of their area. A scientist explains: *“If that sea-level rise occurred today, more than 600 million people would be affected and would have to find a new home.”*<sup>41</sup> Other sources estimate that, *“unless strong preventative action is taken, between now and 2050 climate change will push the number of displaced people globally to at least 1 billion.”*<sup>42</sup>

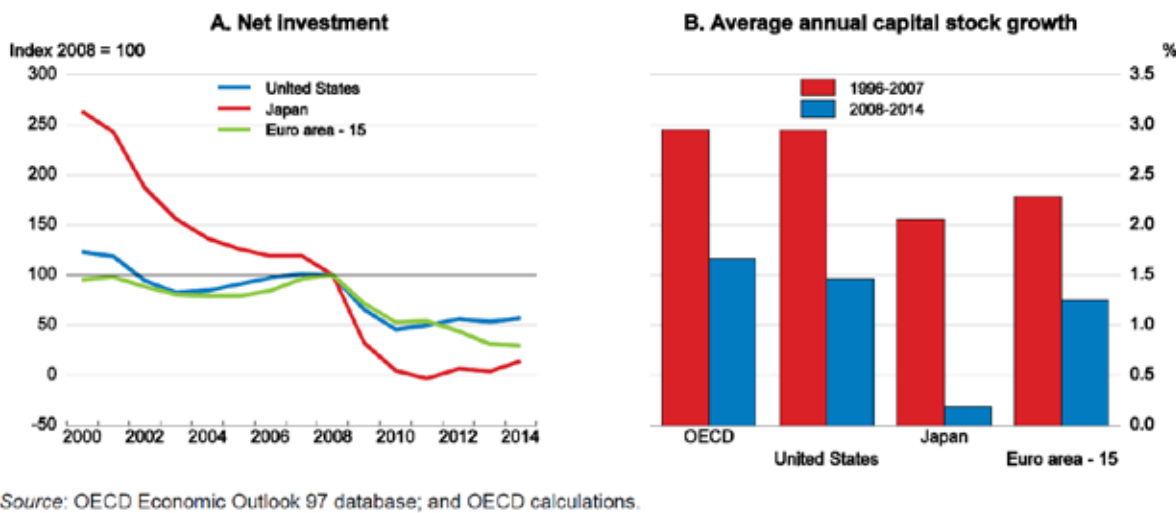
22. The *Climate Vulnerability Monitor* estimates, *“that climate change causes 400,000 deaths on average each year today, mainly due to hunger and communicable diseases that affect above all children in developing countries. Our present carbon-intensive energy system and related activities cause an estimated 4.5 million deaths each year linked to air pollution, hazardous occupations and cancer. (...) Continuing today’s patterns of carbon-intensive energy use is estimated, together with climate change, to cause 6 million deaths per year by 2030, close to 700,000 of which would be due to climate change. This implies that a combined climate-carbon crisis is estimated to claim 100 million lives between now and the end of the next decade”* (see Table 5). To this human tragedy one has to add the financial costs. According to the OECD *“Inflation-adjusted insurance losses from weather-related natural hazard losses have increased from an annual average of around USD 10 billion in the 1980s to around US\$50 billion over the past decade.”*<sup>43</sup> Concerning future perspectives, the *Climate Vulnerability Monitor* states: *“Climate change caused economic losses estimated close to 1% of global GDP for the year 2010, or 700 billion dollars (2010 PPP). The carbon-intensive economy cost the world another 0.7% of GDP in that year, independent of any climate change losses. Together, carbon economy- and climate change-related losses amounted to over 1.2 trillion dollars in 2010. (...) The world economy therefore faces an increase in pressures that are estimated to lead to more than a doubling in the costs of climate change by 2030 to an estimated 2.5% of global GDP. Carbon economy costs also increase over this same period so that*



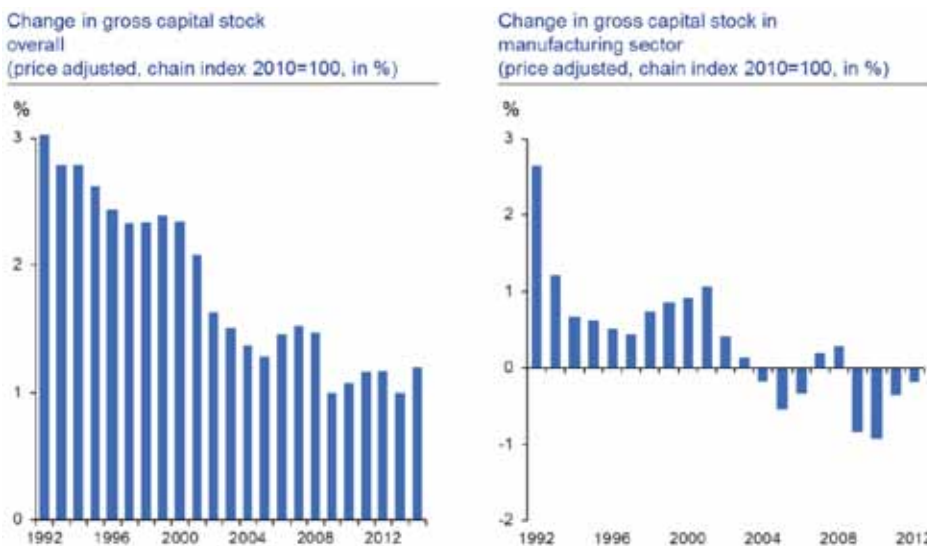
**Figure 5. Nominal Net Fixed Capital Formation in Western Imperialist Countries, 1991-2014 (as % of GDP) <sup>15</sup>**



**Figure 6. Net Investment and Capital Stock Growth before and since the Great Recession <sup>16</sup>**



**Figure 7. Germany: Capital Stock Growth Rate Declining <sup>17</sup>**



global GDP in 2030 is estimated to be well over 3% lower than it would have been in the absence of climate change and harmful carbon-intensive energy practices." Most affected by this catastrophe will be those countries which contribute least of all to the climate change – the poor semi-colonial countries. "Least Developed Countries (LDCs) faced on average in excess of 7% of forgone GDP in 2010 due to climate change and the carbon economy, as all faced inequitable access to energy and sustainable development. Over 90% of mortality assessed in this report occurs in developing countries only – more than 98% in the case of climate change" <sup>44</sup> (see Figure 14).

23. In addition, the capitalist decay has increased the number of wars and, as a result, there has been a huge and rapid increase of the number of refugees. The UNHCR reports that for most of the past decade, "displacement figures ranged between 38 million and 43 million persons annually. Since 2011, however, when levels stood at 42.5 million, these numbers have grown to the current 59.5 million – a 40 per cent increase within a span of just three years" <sup>47</sup> (see Figure 15).

24. The alarming number of displaced persons is the result of local wars and repression. However, given the accelerating economic rivalry between the Great Powers – mainly the US, EU, Japan, Russia and China – it is unavoidable that there will be growing military tensions between them. Given the fact that these imperialist powers – in contrast to semi-colonial countries – possess the most modern nuclear, chemical and biological weapons of mass destruction, any war between them could lead to the death of many millions of people, up to the complete extinction of the human species.

25. Last but not least, we emphasize the increasing inequality between the classes and between the nations on a global level. According to figures from the *Credit Suisse* – a source which no one could suspect of anti-capitalist ideology – an insignificant minority (0.7% of the population), representing largely the global capitalist class, owns 41% of the world's wealth. The global middle class (7.7% of the world population) owes together about the same amount (42.3 of the world's wealth). The next 22.9% of the world's population, probably representing the significant share of the working class of the imperialist countries and the middle class of the semi-colonial world, own 13.7%, and the huge majority of the world's population (68.7%) – representing mostly the working class and the poor peasants of the South – own the little which remains (only 3%) of the world's wealth (see Figure 16)! Likewise, the latest OXFAM study concludes: "In 2015, just 62 individuals had the same wealth as 3.6 billion people – the bottom half of humanity. This figure is down from 388 individuals as recently as 2010. The wealth of the richest 62 people has risen by 44% in the five years since 2010 – that's an increase of more than half a trillion dollars (\$542bn), to \$1.76trillion. Meanwhile, the wealth of the bottom half fell by just over a trillion dollars in the same period – a drop of 41%." <sup>49</sup> OXFAM has demonstrated that this rising inequality is closely connected to the rising exploitation of the working class and the parallel growing share of profit reflected in the globally declining share of labor income (see Figure 17). This decline is particularly noteworthy, since the share of wage laborers in total employment is steadily growing in all regions of the world, representing today about 51% globally (see Figure 18). The progressive economist Thomas Piketty, regardless of his reformist outlook, has also provided a number of valuable statistics

which show the massive increase of inequality both in the imperialist as well as in important semi-colonial countries. The following three graphs plot the share of respective national incomes for the top 1% of those countries' populations during the last century. Note the extended slope downward (i.e., the reduction in inequality) during the "long boom" following the Second World War, but the steep rise during the past 30 years for the English speaking countries and key countries of the South in particular (see Figure 19, 20? and 21).

26. The increasing exploitation of the global working class has gone hand in hand with accelerating inequality within the working class. As we have already pointed out in our book *The Great Robbery of the South*, the wage gap between the labor aristocracy (and sectors of the salaried middle layer) on one hand, and the mass of the middle and lower strata of the proletariat on the other, has widened substantially during recent decades. <sup>56</sup> This has been demonstrated by the UN in its latest issue of its *Human Development Report* (see Figure 22). At the same time, unemployment rates are two to four times greater among low-skilled workers than among those who are highly-skilled (see Figure 23). This increasing differentiation within the working class also manifests itself in today's historically high levels of youth unemployment. According to official figures for 2015, 74 million young people (aged 15–24) were unemployed worldwide. The Arab world is a region that had a youth unemployment rate of 29.8% in 2015. However, there are also countries in southern Europe which also face dramatically high rates of youth unemployment, like Greece (52%) and Spain (53%). <sup>57</sup>

27. To summarize, capitalism is in the throes of a historic period of decline which threatens not only the world economy but also the living standard of the popular masses, and even puts the survival of humanity in danger. The current period is characterized by what Trotsky described as a "declining curve of capitalist development" <sup>60</sup> (see also Trotsky's diagram below). It is the decay of the productive forces which constitutes the fundamental, the most important factor, for the acceleration of the contradictions between the classes which is so characteristic of the historic period since 2008. It is because of the declining dynamic of capital accumulation and the growth of profits that the bourgeoisie is forced, lest it face ruin, to relentlessly attack the working class. For the very same reason the imperialist bourgeoisie is forced to relentlessly strangle the semi-colonial countries of the South and to wage more and more military interventions and occupations. And it is for the very same reason that the rivalry between the imperialist Great Powers is accelerating, since they have to struggle against one other to gain a larger share of the relatively decreasing production of global capitalist value. Finally, if the imperialist Great Powers are not smashed by revolutionary international working class, their rivalry will lead to World War III. The working class can only end this continuous chain of misery, wars and catastrophes via a world socialist revolution. Rosa Luxemburg's statement that humanity is faced with the alternative "*Socialism or Barbarism*" is more relevant than ever. Under the conditions of the early 21<sup>st</sup> century, the concretization of Luxemburg's statement means: "*Socialism or Widespread Death through Climate Destruction and World War III*"!

Table 5. Number of Deaths per Year, 2010–2030 <sup>45</sup>

		2010	2030
Climate	Diarrheal Infections	85,000	150,000
	Heat & Cold Illnesses	35,000	35,000
	Hunger	225,000	380,000
	Malaria & Vector Borne Diseases	20,000	20,000
	Meningitis	30,000	40,000
	Environmental Disasters	5,000	7,000
	Air Pollution	1,400,000	2,100,000
Carbon	Indoor Smoke	3,100,000	3,100,000
	Occupational Hazards	55,000	80,000
	Skin Cancer	20,000	45,000
World		4,975,000	5,957,000

Figure 8. Excess Reserves of Financial Institutions Held with the United States Federal Reserve <sup>22</sup>



Figure 9. Labor Productivity Performance in Long Run Comparative Perspective, 1950-2013 (GDP per hour worked; annual average growth) <sup>23</sup>

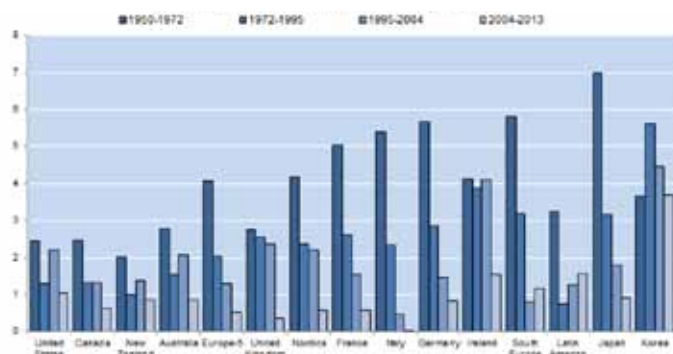


Figure 10. Labour Productivity Growth, 1990-2013 (Growth in GDP per hour worked) <sup>24</sup>

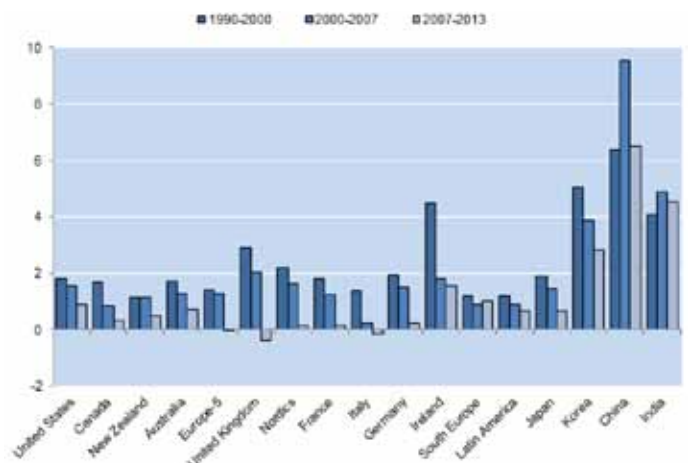
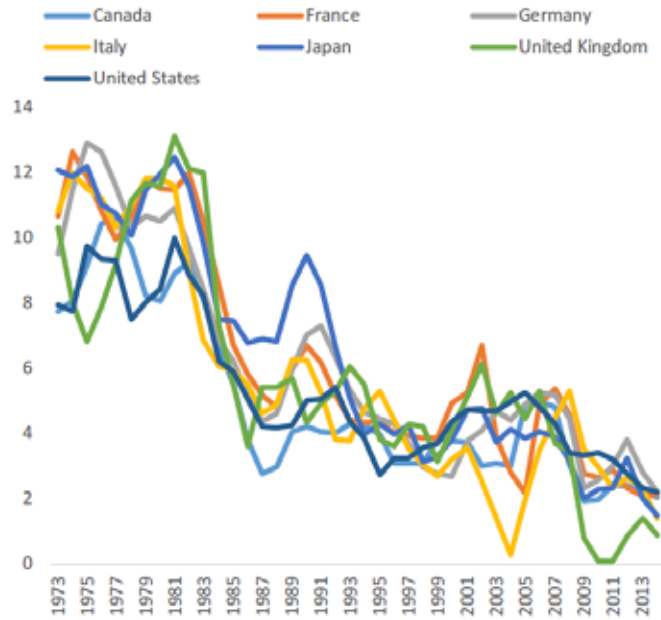


Figure 11. Labor Productivity Growth in Western Imperialist Economies, 1973-2014 (Growth in GDP per hour worked) <sup>25</sup>

Figure 1: Productivity Growth

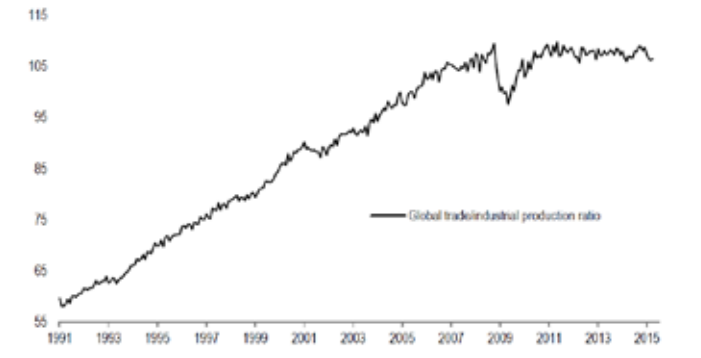
measured as Gross Domestic Product per hour worked, growth rates in %, three-year moving average



Source: OECD

Figure 12. Global Trade in Relation to Industrial Production <sup>31</sup>

Figure 119: Global trade vs industrial production



Source: Thomson Reuters, Credit Suisse research

Figure 13. China's Imports of Parts and Components as a Share of Total Exports of Merchandise <sup>32</sup>

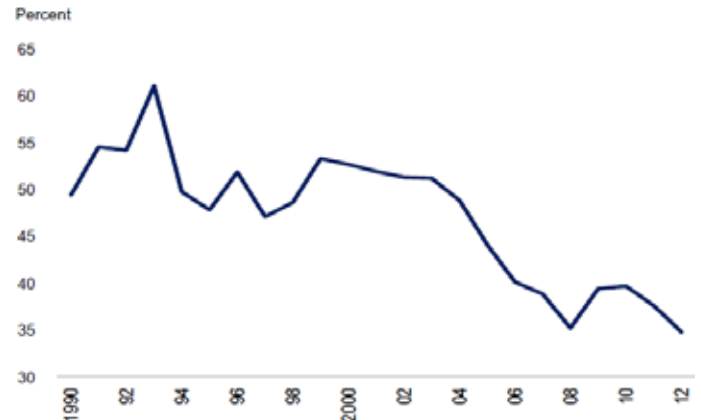


Figure 14. Total Deaths and Costs as a Result of Climate Change and the Carbon Economy, 2010 and 2030 <sup>46</sup>

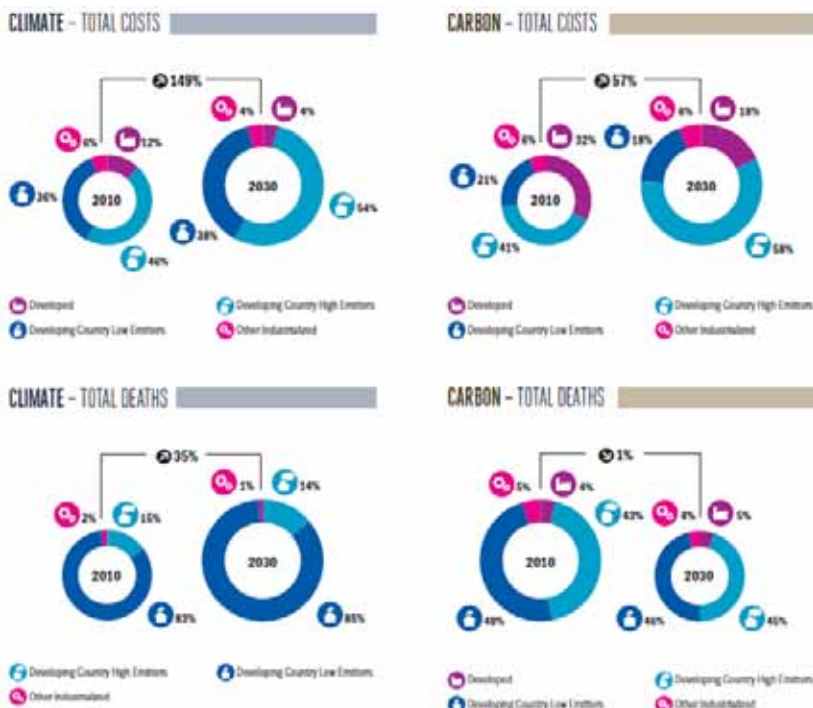


Figure 15. Displacement in the 21st Century, 2000-2014 (in Millions) <sup>48</sup>

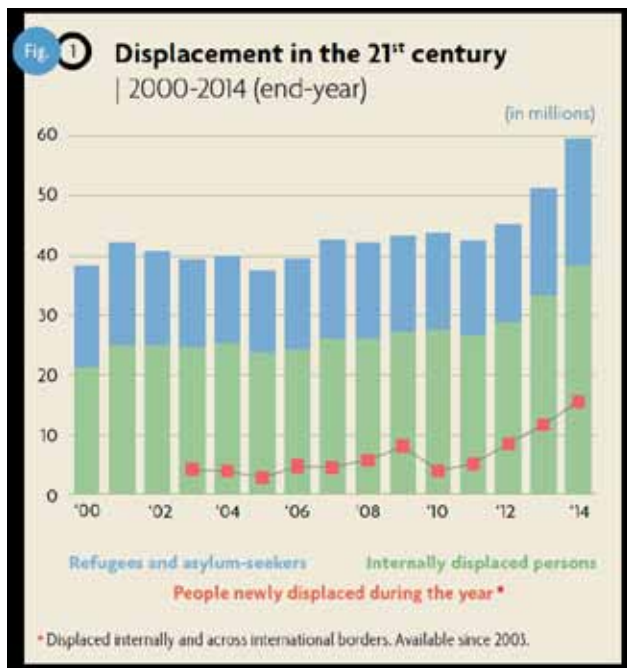


Figure 16. How is the World's Wealth shared amongst its Population? <sup>50</sup>

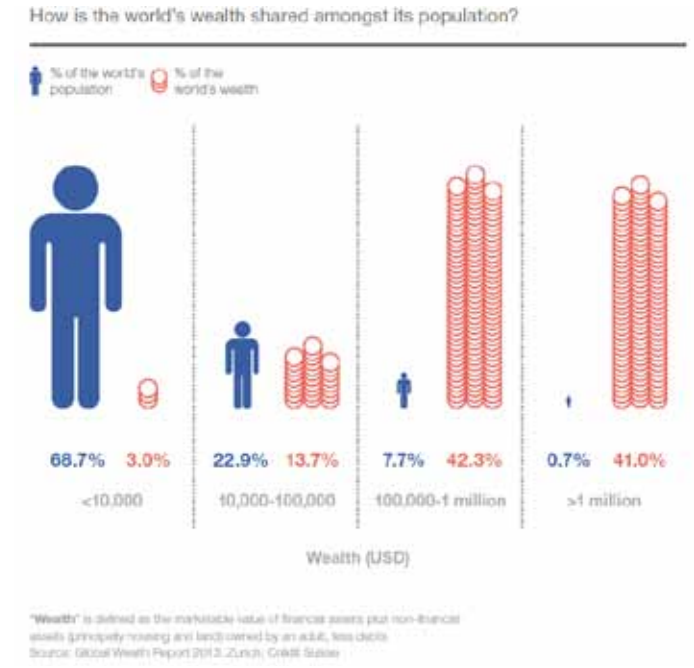


Figure 17. Labor income as a share of GDP in countries of different income levels, 1988–2011 <sup>51</sup>

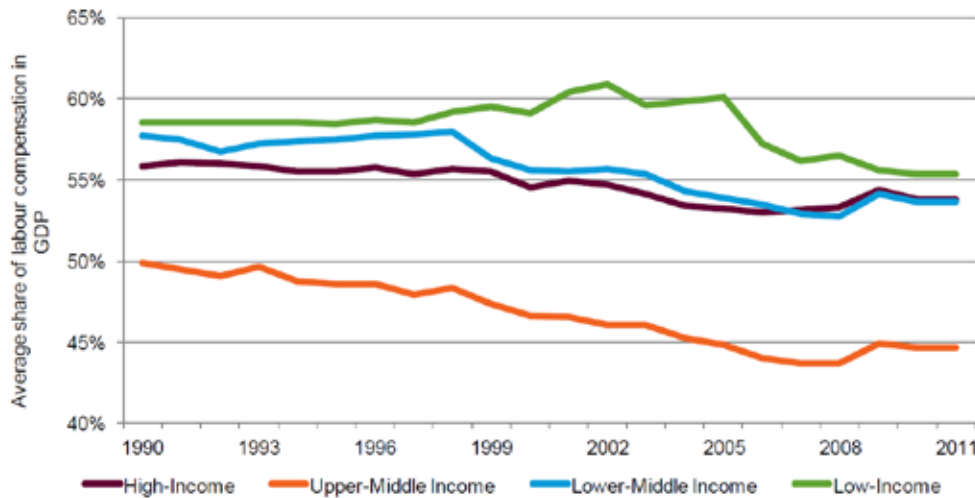
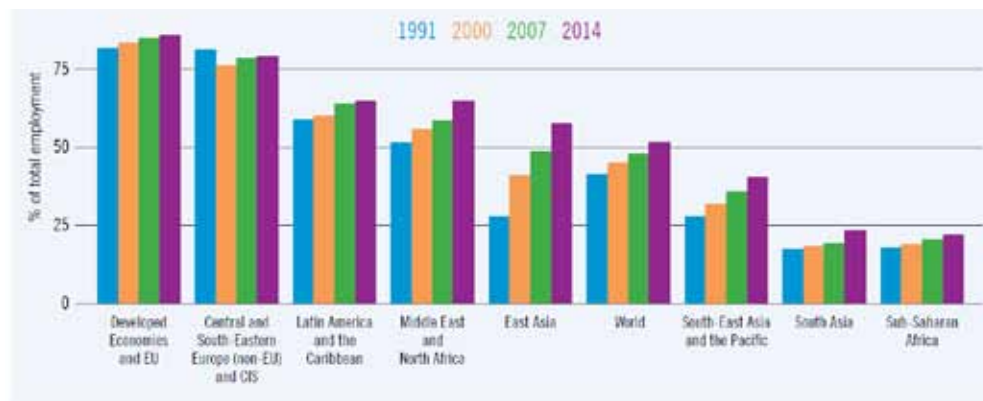


Figure 18. Wage and Salaried Employment (% of Total Employment), World and Regions <sup>52</sup>



Source: ILO, Trends Economic Models, October 2014.



Figure 19. Income Inequality in English Speaking Countries, 1910 – 2010 <sup>53</sup>

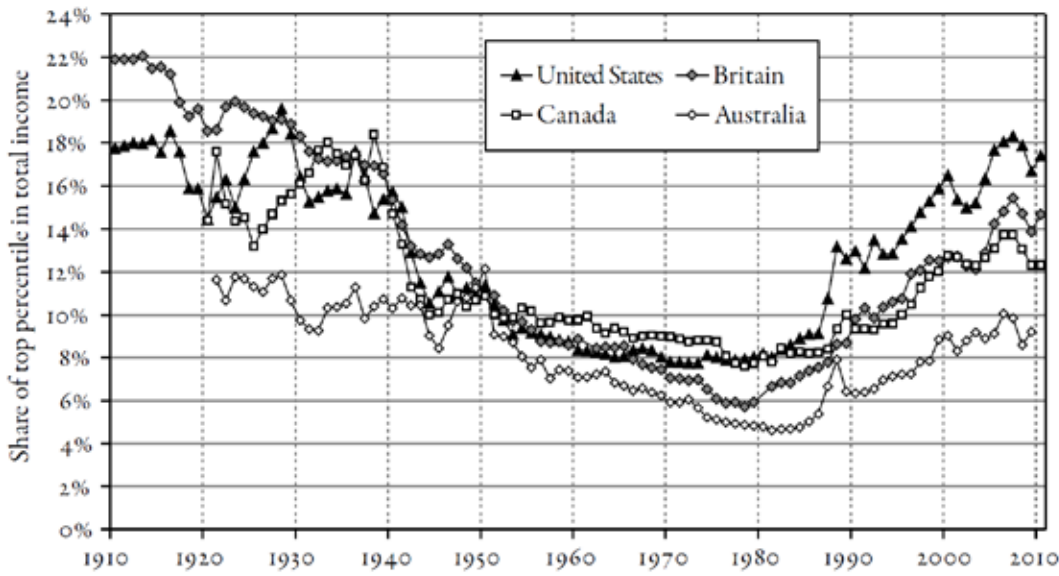


Figure 20. Income Inequality in Continental Europe and Japan, 1910 – 2010 <sup>54</sup>

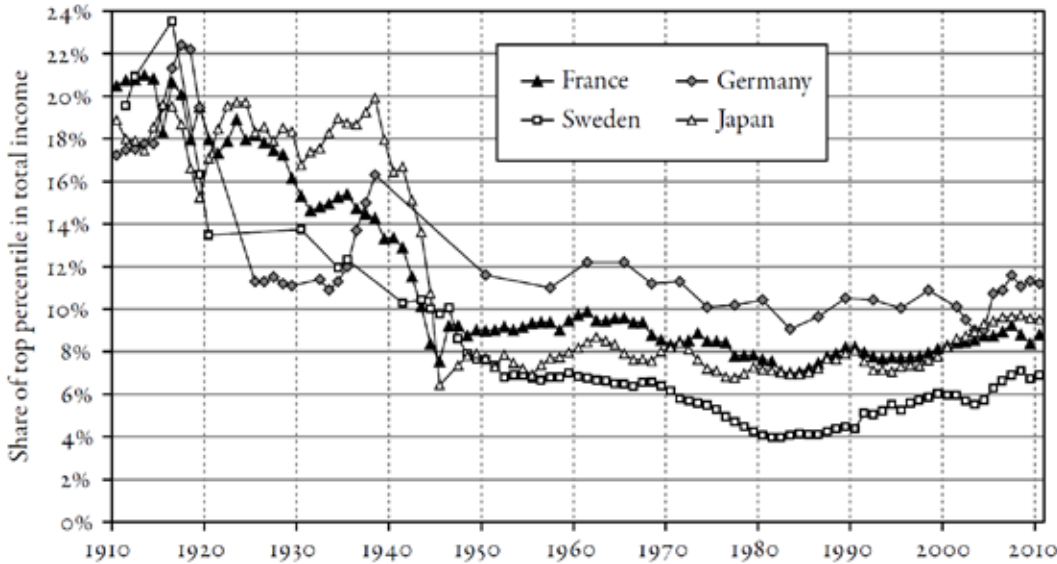
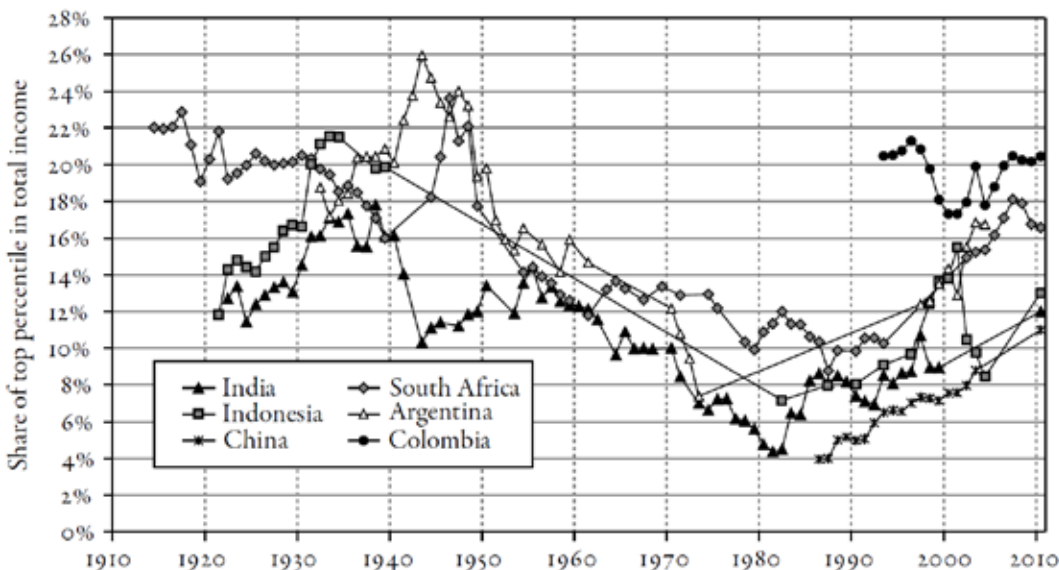


Figure 21. Income Inequality in Emerging Countries, 1910 – 2010 <sup>55</sup>



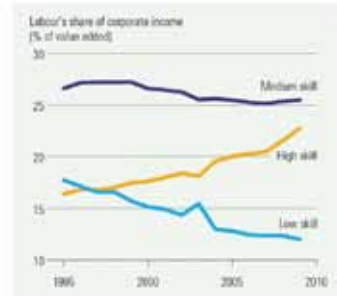
**Figure 22. Declining Share of Wages and Increasing Wage Inequality between High-Skilled and other Workers** <sup>58</sup>

Workers overall are getting a smaller share of total corporate income based on analysis from 27 developed countries and 28 developing countries



Note: Labour's share of corporate income equals the compensation of employees in the corporate sector divided by corporate gross value added.  
Source: Karabounis and Norris 2014.

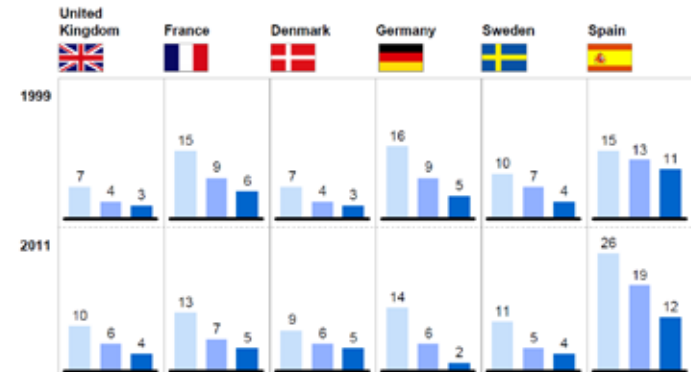
The income shares of high-skill labour have been going up, while the share of medium- and low-skill labour has been going down



Note: Simple average of 40 countries.  
Source: Human Development Report Office calculations based on WIOD 2014.

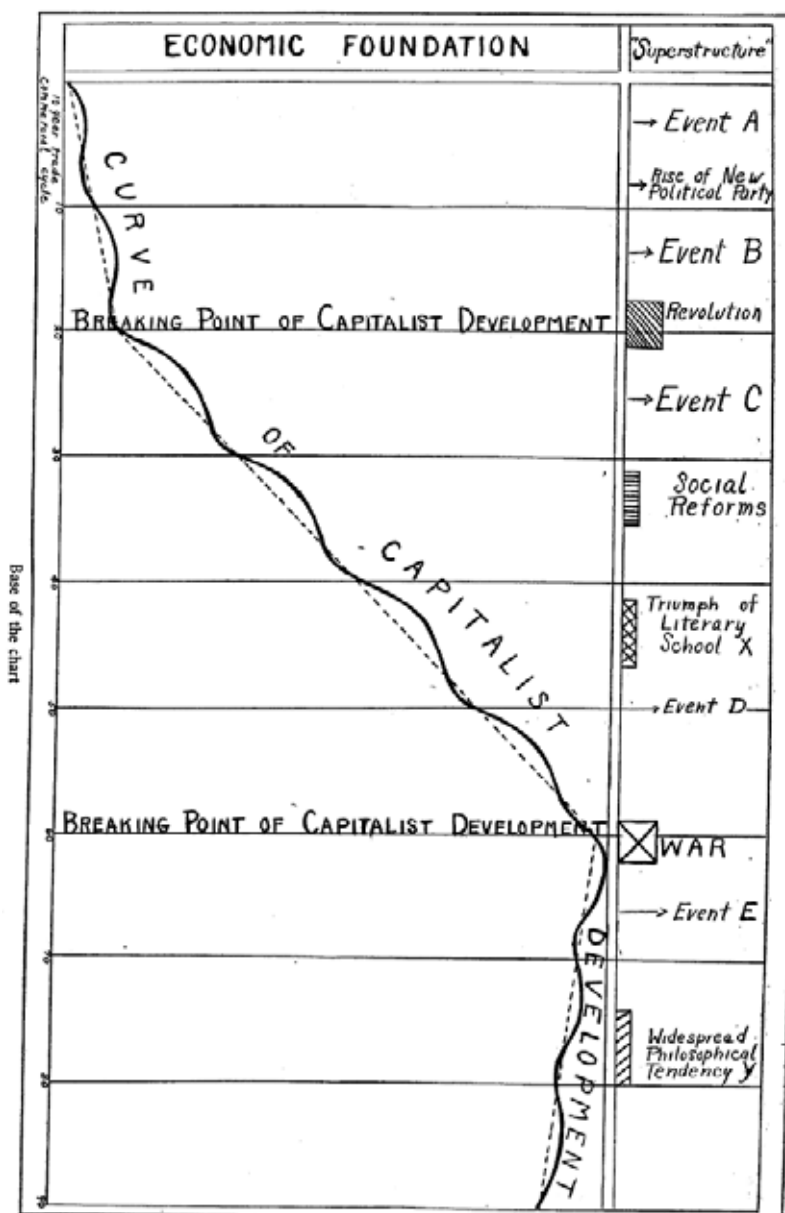
**Figure 23. Unemployment Rates of High-Skilled and other Workers in Imperialist Countries 1999 and 2011** <sup>59</sup>

In advanced economies, unemployment for low-skill workers is 2-3 times higher than for high-skill workers  
Unemployment rate, 25-64 years, by educational attainment  
% of labor force



SOURCE: Eurostat; OECD Education at a Glance 2011; McKinsey Global Institute analysis

**Diagram 1: Leon Trotsky's 'Curve of Capitalist Development' (1923)** <sup>61</sup>



### III. The World Economy: Facing the Next (Even Worse) Great Recession

28. As we have pointed out in previous annual *World Perspective* documents on the, the present cycle is characterized by a particularly depressed level of capital accumulation and capitalist value production. Marxist economists like Michael Roberts are therefore right in characterizing the state of the economy since 2008 as a *Long Depression*.<sup>62</sup> This depression is reflected in the low level of the global rate of profit year-over-year (% yoy) which, based on the projection of Figure 24, is about to cross once again into negative percentages as last happened in the second half of 2007.

29. The downturn of the rate of profit leads to a slower process of capital accumulation as well as of production. While this process is uneven (see more on this below), we can clearly identify a global downturn trend which is about to turn into another recession – a process to which we already drew attention in the RCIT's last *World Perspectives* document released in January 2015. In that document we wrote "All in all, there are strong indications that 2015 will not "finally" see a recovery but rather another recession. We believe that this recession will be even worse and deeper than the one of 2008/09, which was already the worst recession since 1929."<sup>64</sup> The recent events in stock markets – both in China and in the West – indicate that our prediction was correct. While most imperialist economic institutions still promise that 2016 will be better than 2015, they cannot deny the downturn trend of 2015. Recent statistics from JP Morgan and the IMF demonstrate this trend (see Figure 25 and 26). It's not without reason that big financial capitalists like George Soros are getting pretty nervous: "When I look at the financial markets there is a serious challenge which reminds me of the crisis we had in 2008."<sup>65</sup> The Royal Bank of Scotland has warned investors about a "cataclysmic year ahead" and advises them: "Sell everything except high quality bonds. (...) In a crowded hall, exit doors are small. Risks are high. (...) be cautious in 2016. We have been warning in past weeklies that this all looks similar to 2008. We dust off our old mantra: this is about 'return of capital, not return on capital'."<sup>66</sup> Similarly Jacques Attali – a former economic adviser to the France's President François Mitterrand and the first president of the *European Bank for Reconstruction and Development* – recently warned that "the world is approaching a great economic catastrophe".<sup>67</sup>

30. The IMF cautiously commented in its latest *World Economic Outlook*: "Global industrial production remained weak through 2014, consistent with the uneven strength in demand across major economies and groups of countries, and slowed markedly over the course of the first half of 2015, reflecting some building of inventories in late 2014 and early 2015 but also lower investment growth. World trade volumes also slowed in the first half of 2015. Weak investment worldwide, particularly in mining, as well as the trade spillovers of China's growth transition, has likely contributed to this slowing."<sup>70</sup> However, some bourgeois economists think that the capitalist world economy has already entered a new recession. A website related to the *Centre for Economic Policy Research* recently

published an article which calculates, based on the latest data from the *International Monetary Fund*, that in fact the global economy contracted massively in 2015: "the IMF world economic outlook database reports a reduction of Gross Planet Product (GPP) for the year 2015 by -3,8 trillion dollar (-4.9%). A nominal reduction of GPP of this size has occurred only once since 1980 (the starting year of the IMF database), namely at the start of the Great Recession when GPP contracted by -5.3%"<sup>71</sup> (see also Table 6). Likewise the renowned bourgeois economist Robert J. Samuelson recently published an article in the *Washington Post* titled "Is the next recession on its way?"<sup>72</sup>

31. A historical comparison with the crisis in the 1930s demonstrates the severity of the current depression. Two bourgeois economists have calculated that global industrial output has now fallen behind the post-1929 crash performance. 90 months after the beginning of the Great Recession in 2008, the recovery of world industrial production is actually less than it was at the comparable point in time after the beginning of the 1929 recession (see Figure 27).

32. Given the limited amount of publicly-available data, it is currently difficult for us to say if the next Great Recession has already begun or, if not, when exactly it will start. However, we think the coming recession is likely to be even more severe than that of 2008/09. This is our opinion for three main reasons. First, the coming recession – in contrast to the previous one – seems to be spreading to and assuming a severe character in *all* major regions of the capitalist world economy. Secondly, financial speculation – a central trigger for the Great Recession in 2008/09 – has not decreased since then. In fact, today the financial bubble is bigger than it was in 2007. And third, corporate and public debt has risen in nearly all imperialist countries, which is why the bourgeoisie will not be able to use massive state-capitalist interventions yet another time to help their corporations escape the worst consequences of the recession simply by raising the national debt.

33. The 2008/09 recession was characterized by a sharp slump of the economy in the old imperialist countries, while the new imperialist powers, China and Russia, as well as some important semi-colonial countries experienced a more moderate or short recession or even none at all (e.g., China). The situation is very different today. Nearly all important sectors of the capitalist world economy – most Western Great Powers, the two Eastern Great Powers as well as the advanced semi-colonial economies are already in recession or heading towards it (see Figures 28 and 29).

34. First, let us briefly deal with the major economies. The US economy seems to be heading towards a slump. Corporate profits there for 2015 were down -5.1% compared with one year before<sup>77</sup> (see also Figure 30). According to statistics from the US *Federal Reserve Bank*, industrial production on a monthly basis declined between January and November 2015 (the latest available figures) in every

Figure 24. Global Corporate Profits 1998-2015 <sup>63</sup>

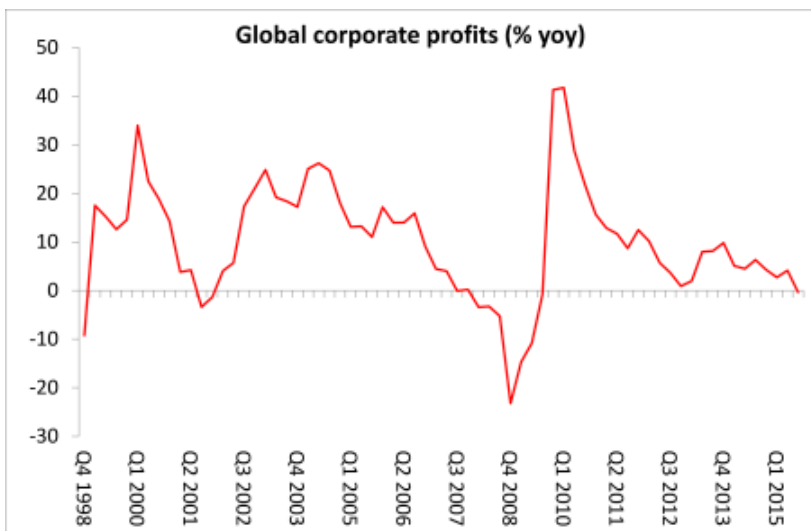
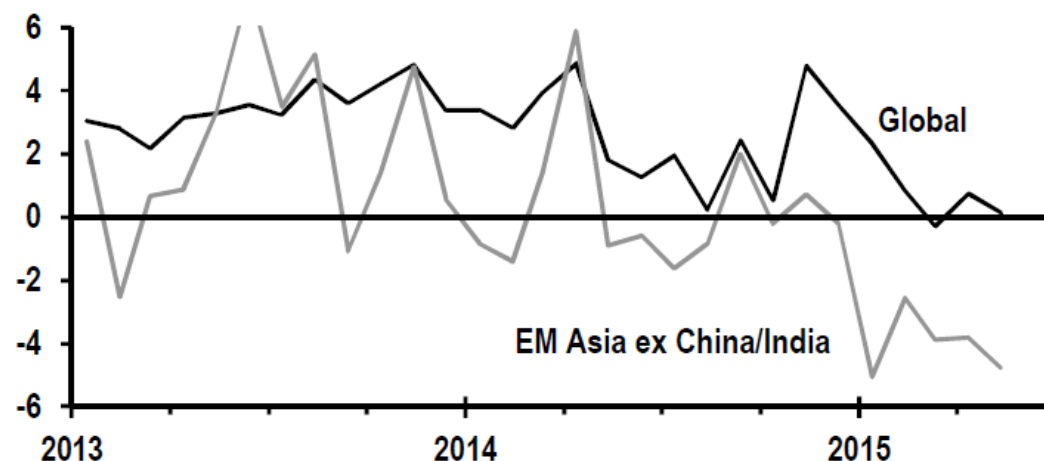


Figure 25. Global Manufacturing Output 2013–2015 <sup>68</sup>

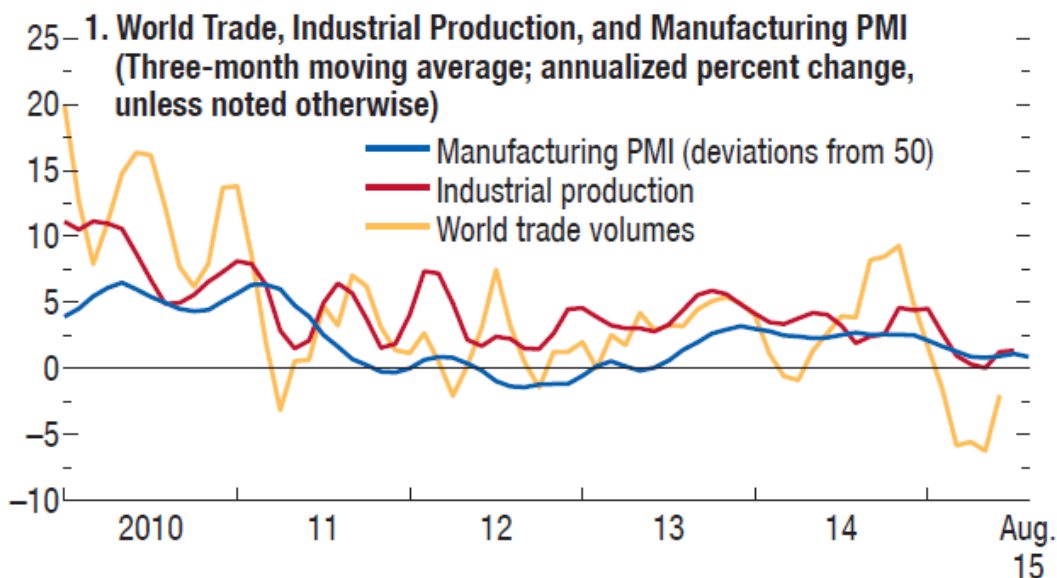
Manufacturing output

%3m, saar; w/ May 15 est



Source: J.P. Morgan

Figure 26. World Trade, Industrial Production, and Manufacturing PMI (Three-month moving average; annualized percent change) <sup>69</sup>





month except two.<sup>78</sup> Figure 31 shows a similar trend. As a bourgeois economist commented, such a decline in industrial production has not been witnessed before outside of a recession.<sup>79</sup>

35. The Eurozone is currently in a somewhat different stage of the business cycle. It has already experienced a kind of stagnation or even recession during in the past few years. Its industrial volume of production declined in 2012 by -2.3%, shrinking again in 2013 by -0.7%, and grew in 2014 but only by +0.9%. However it too faced a slowdown in the past few months after a small recovery.<sup>82</sup> Its economy is certainly not strong enough to prevent the world economy from entering another Great Recession.

36. Japan has already been in recession for some time. JP Morgan expects that its industrial production will have declined in 2015 by -0.8%.<sup>83</sup> While the state – via the Bank of Japan – adopted supplementary “*quantitative and qualitative monetary easing measures*,” i.e., pumping public money into the market in order to save the financial system and to revive the economy, clear signs of recovery can not be detected.

37. China, as the world’s biggest industrial producer and the second largest economy globally, is of particular importance for the fate of the capitalist world economy. The country is currently experiencing its most serious downturn in the production of value since the restoration of capitalism in the early 1990s, with industrial production having slowed down dramatically (see Figure 32). This downturn has already sent shock waves which reverberated in its domestic foreign stock market as well as those around the world. China’s stock market has already slumped twice – in June-August 2015 and again in Janu-

ary 2016. As in other capitalist countries (e.g., 1929, 2008), China’s stock market was (and still is) characterized by a huge speculative bubble. As a result, stocks of Chinese and Western capitalists listed on the Shanghai exchange were devalued by 4 trillion US-Dollars in the summer of 2015. Western financial capitalists were impacted by the panic: Following China’s *Black Monday* and *Black Tuesday* (on 24 and 25 August 2015, when the Chinese stock market plunged by 8.5% and 7% respectively), the next day the US Dow Jones dropped by 1,000 points at the opening of trading, the largest drop ever recorded. In January 2016, the Chinese stock market crashed again despite massive government intervention, increasing nervousness in Western stock markets.

38. This stock market crash only highlights the monstrous stupidity of the Stalinists and various “Trotskyists” who still consider China a “socialist country” or a “deformed workers state.” The capitalists in China, as well as in the Western countries, have known for a long time that China is a profit-driven economy. China’s three big stock markets (the *Shanghai Stock Exchange*, the *Shenzhen Stock Exchange* and the *Hong Kong Stock Exchange*) were ranked in June 2015, according to CNN, among the six biggest stock markets in the world.<sup>85</sup> Given the recent stock market crashes, their exact ranking may have subsequently changed, but the fundamental weight of the Chinese stock markets remains intact.

39. It is because China has become (a) a capitalist country and (b) an imperialist Great Power that bourgeois economists are worried that China’s decline might have devastating effects for the world economy. “*That leaves the other major world economy: China. Already it has slowed dra-*

## New Book!

### Michael Pröbsting: Building the Revolutionary Party in Theory and Practice

Looking Back and Ahead after 25 Years of Organized Struggle for Bolshevism

The RCIT is proud to announce the publication of a book called *BUILDING THE REVOLUTIONARY PARTY IN THEORY AND PRACTICE*. The book’s subtitle is: *Looking Back and Ahead after 25 Years of organized Struggle for Bolshevism*. The book is in English-language. It contains four chapters on 148 pages and includes 42 pictures. The author of the book is Michael Pröbsting who serves as the International Secretary of the RCIT.

The following paragraphs are the back cover text of the book which give an overview of its content.

A few months ago, our movement commemorated its 25th anniversary. In the summer of 1989 our predecessor organization, the League for a Revolutionary Communist International (LRCI) was founded as a democratic-centralist international tendency based on an elaborated program. The *Revolutionary Communist International Tendency* (RCIT) continues the revolutionary tradition of the LRCI. Below we give an overview of our history, an evaluation of its achievements as well as mistakes, and a summary of the lessons for the struggles ahead. This book summarizes our theoretical and practical experience of the past

25 years.

In Chapter I we outline a summary of the Bolshevik- Communists’ theoretical conception of the role of the revolutionary party and its relation to the working class. In Chapter II we elaborate on the essential characteristics of revolutionary party respective of the pre-party organization. In Chapter III we deal with the history of our movement – the RCIT and its predecessor organization. Finally, in Chapter IV we outline the main lessons of our 25 years of organized struggle for building a Bolshevik party and their meaning for our future work.

You can find the contents and download the book for free at <http://www.thecommunists.net/theory/rcit-party-building/> ■

**Building the  
Revolutionary Party  
in Theory  
and Practice**

Looking Back and Ahead after  
25 Years of organized Struggle for Bolshevism



By Michael Pröbsting

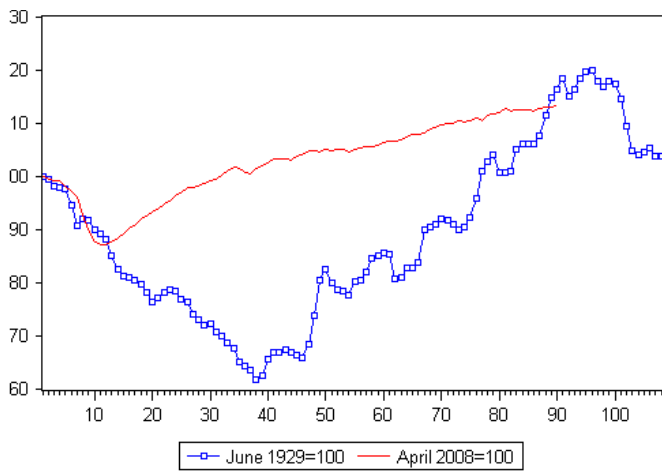
Published by the Revolutionary Communist International Tendency



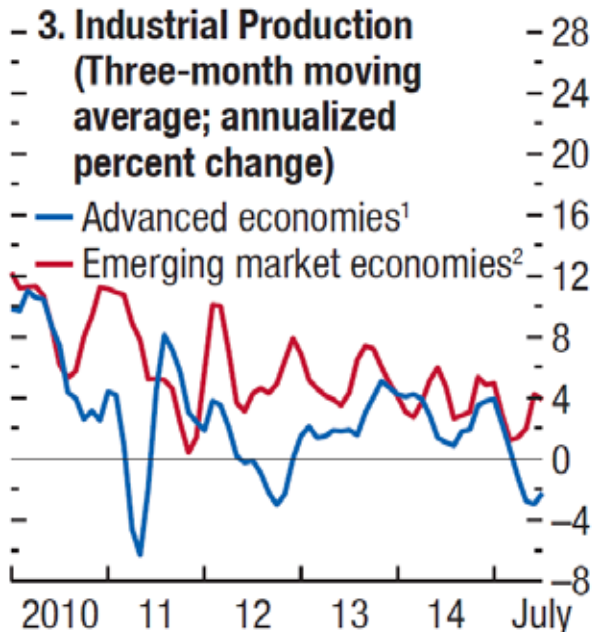
**Table 6. Years with nominal contractions of Gross Planet Product (1980-2015)** <sup>73</sup>

Year	Contraction in Percent
1982	-2.0%
1997	-0.2%
1998	-0.6%
2001	-0.5%
2009	-5.3%
2015	-4.9%

**Figure 27. Comparison of the Post-2008 and the Post-1929 Depression** <sup>74</sup>  
(The y-axis represents the numbers of months that have elapsed since the beginning of each curve.)



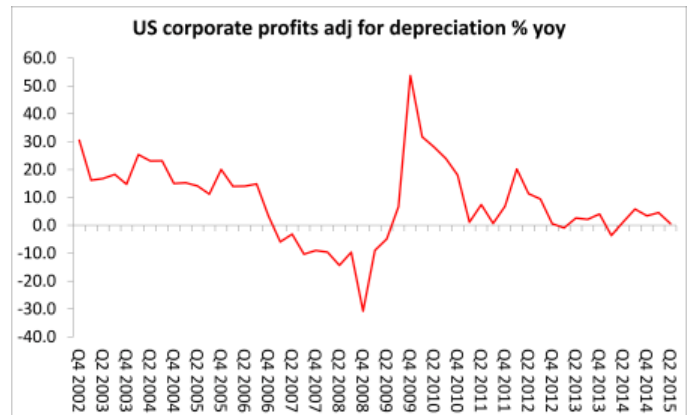
**Figure 28. Industrial Production (Three-month moving average; annualized percent change)** <sup>75</sup>



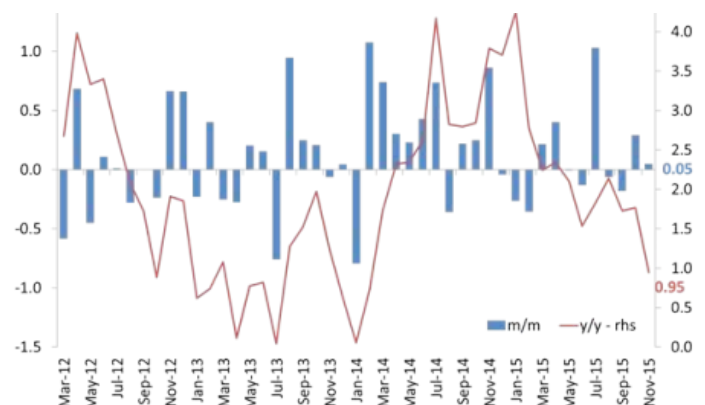
**Figure 29. Global Industrial Production, 2008–2015** <sup>76</sup>



**Figure 30. US Corporate Profits 2002–2015** <sup>80</sup>



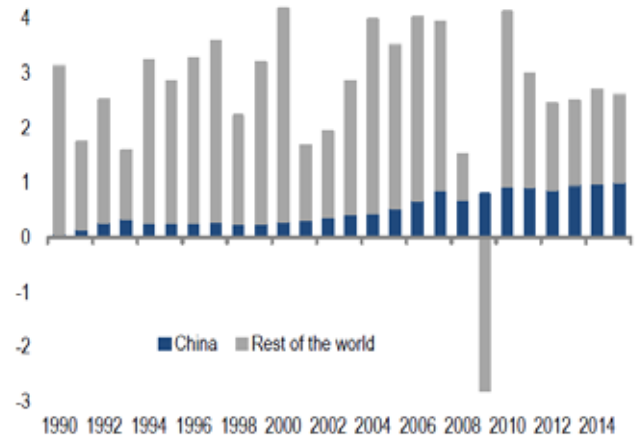
**Figure 31. US Manufacturing Production, March 2012 – November 2015** <sup>81</sup>



**Figure 32. China's Industrial Production (left) and Retail Sales (right), 2005-2015** <sup>84</sup>

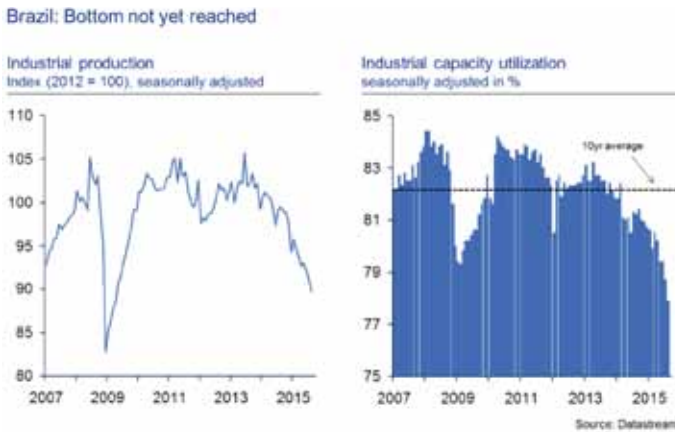


**Figure 33. China's Contribution to Global Real GDP Growth, 1990-2014** <sup>88</sup>

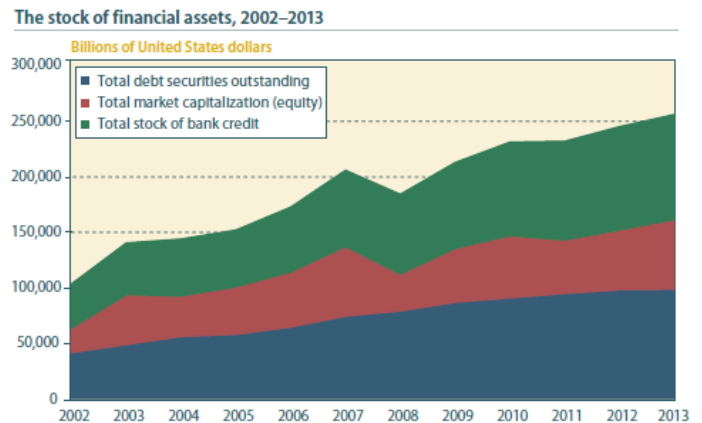


Source: Thomson Reuters, Credit Suisse estimates

**Figure 34. Brazil: Industrial Production (left) and Capacity Utilization (right), 2007-2015** <sup>92</sup>



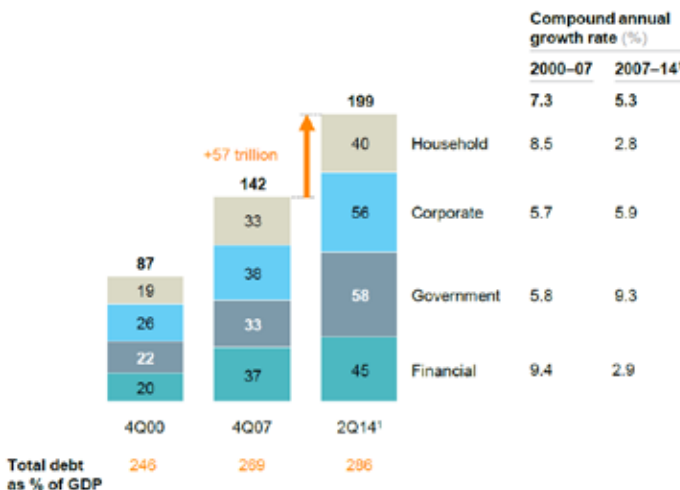
**Figure 35. The Stock of Financial Assets, 2002-2013** <sup>94</sup>



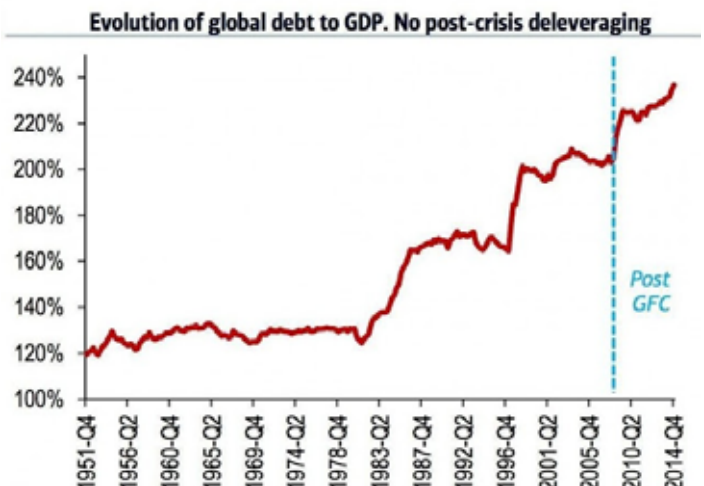
**Figure 36. Growth of Global Debt in \$ Trillion and as % of GDP, 2000-2014** <sup>95</sup>

Global debt has increased by \$57 trillion since 2007, outpacing world GDP growth

Global stock of debt outstanding by type<sup>1</sup>  
\$ trillion, constant 2013 exchange rates

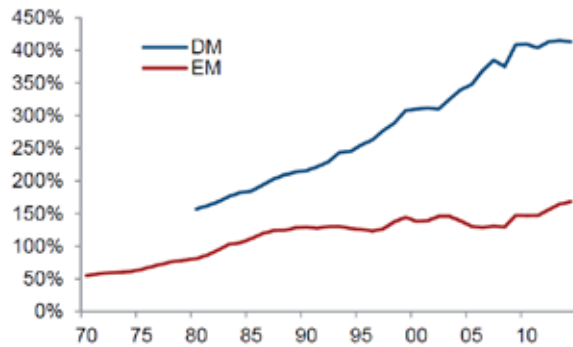


**Figure 37. Evolution of Global Debt to GDP** <sup>96</sup>



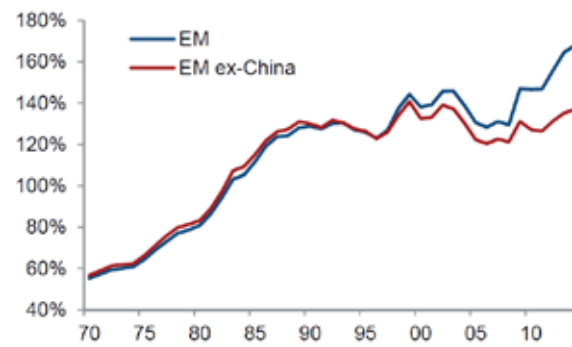
**Figure 38. Growth of Global Debt of Old Imperialist Countries (DM) as well as of China, Russia and the Advanced Semi-Colonial Countries EM), 1970-2015** <sup>98</sup>

Chart 7. Total debt (% of GDP)



Source: Emerging Advisors Group, March 2015

Chart 8. Total EM debt (% of GDP) excluding China



Source: Emerging Advisors Group, March 2015

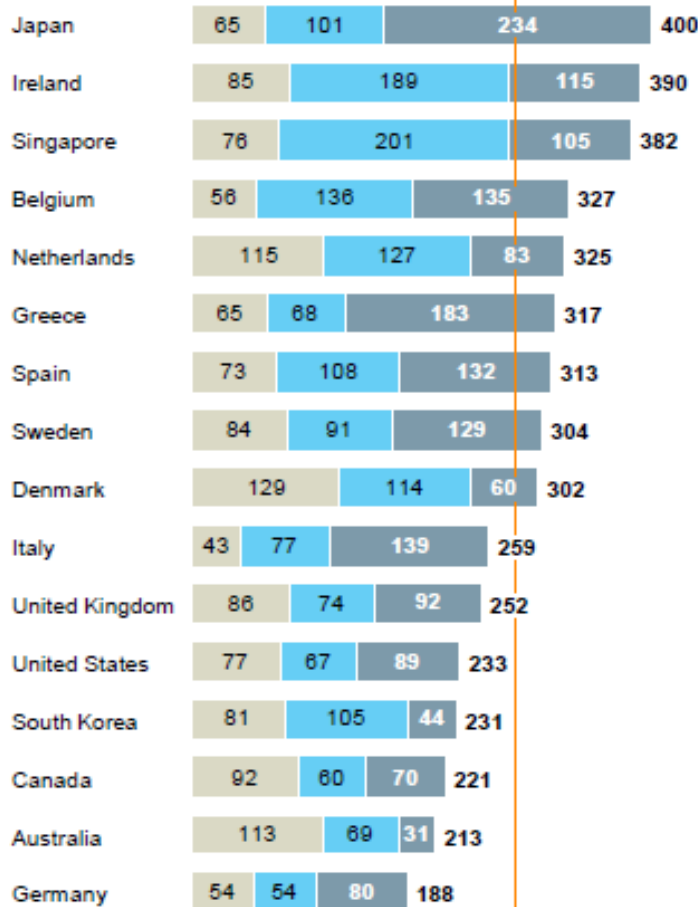
**Figure 39. The Debt-to-GDP Ratio in Advanced as well as in Developing Capitalist Economies, 2014** <sup>99</sup>

The debt-to-GDP ratio in developing economies remains less than half the level in advanced economies

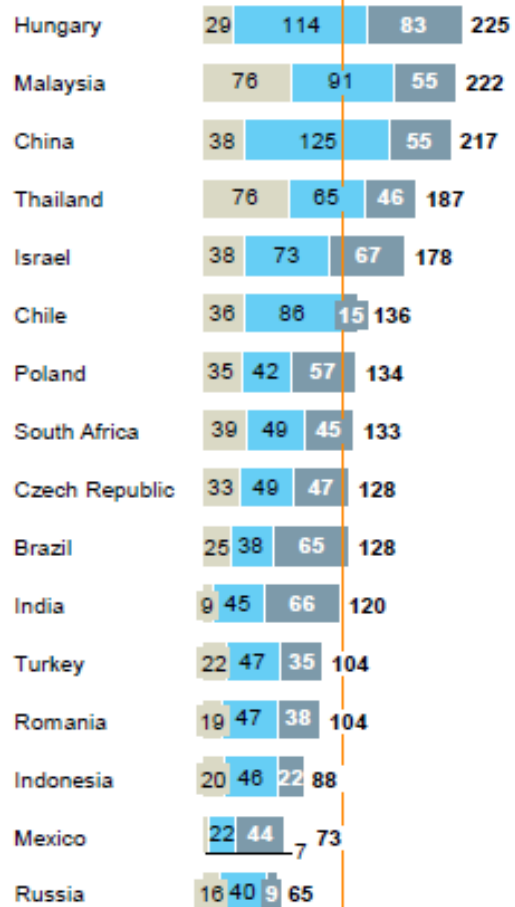
Debt-to-GDP ratio, 2Q14<sup>1</sup>  
%

Household Non-financial corporate Government

Advanced economies



Developing economies



Average<sup>2</sup>

280

121

1 Includes debt of households, non-financial corporations, and government; 2Q14 data for advanced economies and China, 4Q13 data for other developing economies.

2 Average of 22 advanced and 25 developing economies in the MGI Country Debt database.

NOTE: Numbers may not sum due to rounding.

matically. After averaging almost 10 percent growth between 2006 and 2014, it grew by 6.8 percent in 2015 and is forecast to grow by 6.3 percent in 2016. To put that in context, a one-third drop in the growth rate is comparable to the experience of the United States in the 1970s, and the result in the U.S. case was a decade of stagflation and a collapse of trust in government. But the real worry is that China's slowdown could easily beget a further slowdown. This is why China is the most obvious source of upset for the world economy next year."<sup>86</sup> Such fears are hardly surprising given the fact that China has contributed about 40% to global GDP growth over the past five years (see Figure 33). It is currently unclear whether the Chinese regime can avoid a full recession by state-capitalist intervention which would involve pumping trillions into the economy and the stock market. However, a full-blown recession in China in 2016 is a realistic possibility. It would be the first cyclical recession since the restoration of capitalism in the early 1990s which opened a period of spectacular growth driven by the super-exploitation of the Chinese working class and the dynamics of primitive accumulation in a huge and growing internal market.<sup>87</sup>

40. Russia has been in recession since 2014, something also attributable to the Western sanctions following its involvement in the Ukraine. Russia's GDP for 2015 is expected to decline by -3.8% and this negative trend should continue at least for some time into 2016.<sup>89</sup> Latin America's economy as a whole is also already in recession with a decline of industrial production of -0.5% in 2014 and a further declines in 2015 (on a quarterly basis) of -0.8% (Q1), -0.6% (Q2), and -0.6% (Q3).<sup>90</sup> Brazil, the continent's biggest economy, is expected to face a slump in GDP of -3.8% in 2015 and a further -3.7% in 2016 (see also Figure 34). The second biggest country, Argentina, is expected to enter recession at the beginning of 2016 – a process accelerated by the devaluation of the peso by more than 30% against the US-Dollar by the new right-wing Macri government.<sup>91</sup>

41. India – which is expected to become the most pop-

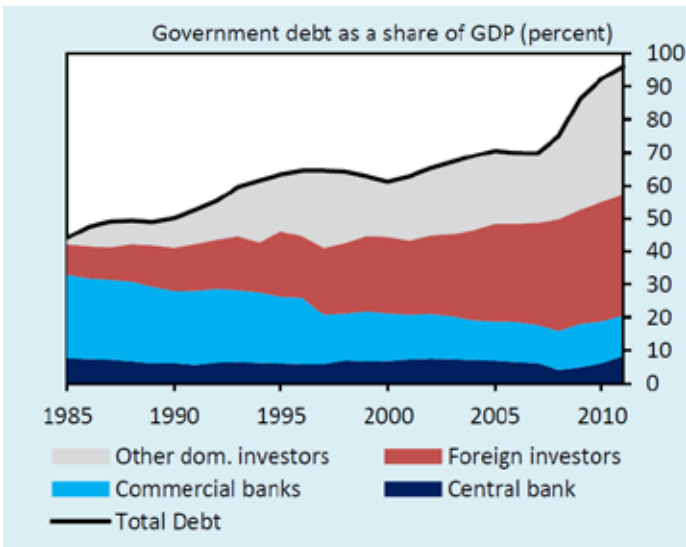
ulous nation by 2022<sup>93</sup> – has experienced a different development. Its economy has grown relatively faster in the last few years and is expected to continue so: its GDP grew by +7.3% (2014), +7.4 (2015) and +7.2% (2016). However, according to JP Morgan, India's GDP is alleged to have declined in Q4 in 2015 by -2.0%. South Africa is vacillating around a recession with GDP growth of only +1.5% (2014), +1.4 (2015) and an anticipated +1.2% (2016).

42. Secondly, the capitalists have completely failed to liquidate the financial bubble which triggered the Great Recession in 2008/09. In fact, this bubble is bigger today than it was in 2007. The total stock of financial assets worldwide is estimated to have been \$256 trillion at the end of 2014, increasing from \$184 trillion at the end of 2008. Total financial assets in the world – measured in terms of all debt securities outstanding, equities and the stock of bank credit – exceeded the pre-crisis level as early as 2010 (see Figure 35).

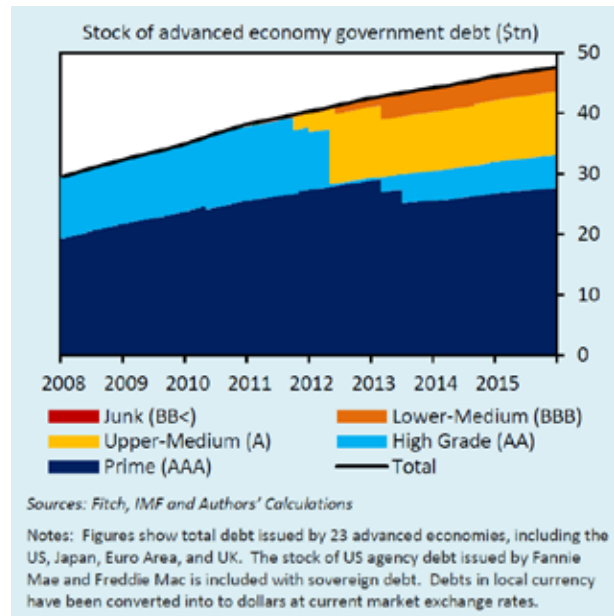
43. Let us deal now with the third reason why we expect the coming recession to be more severe than the last one. As we have stated in previous documents, the bourgeoisie was able to avoid a complete breakdown of its financial system by means of a wide-range of state-capitalist measures in order to save the banks and corporations. As a result, debt – in particular public debt – rose dramatically during the recession. However, nearly all capitalist countries have failed to reduce their indebtedness in the (moderate) recovery phase since 2010. As a result, global debt (as a ratio to global GDP) has risen from 269% (in 2007) to 286% (in mid-2014; see Figure 36 and also Figure 37 for a more long-term view since 1951.)

44. This process has taken place both in the old imperialist countries (Northern America, Europe and Japan), in imperialist China as well as in many semi-colonial countries (see Figure 38). The *McKinsey Global Institute* comments: "However, rather than declining, global debt has continued to increase. Total global debt rose by \$57 trillion from

**Figure 40. Government Debt in Western Imperialist Countries and Changes in Holdings of Government Debt as a Share of GDP (1985-2011)**<sup>100</sup>

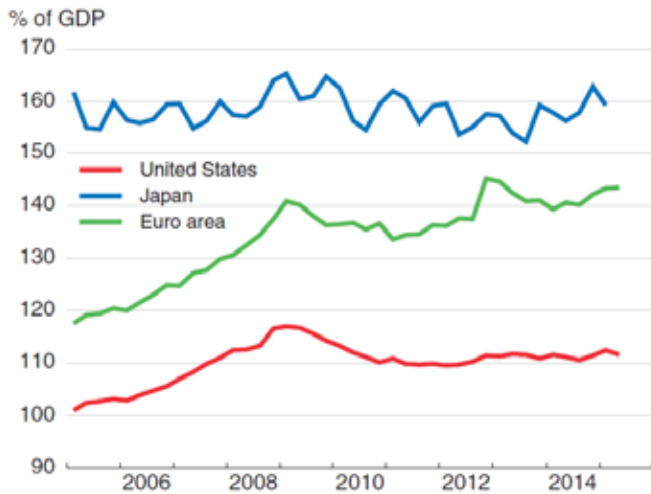


**Figure 41. Credit Rating of Advanced Economy Government Bonds (2008-2015)**<sup>101</sup>





**Figure 42. Gross Debt for Non-Financial Corporations in the US, Euro Area and Japan 2005-2015** <sup>102</sup>

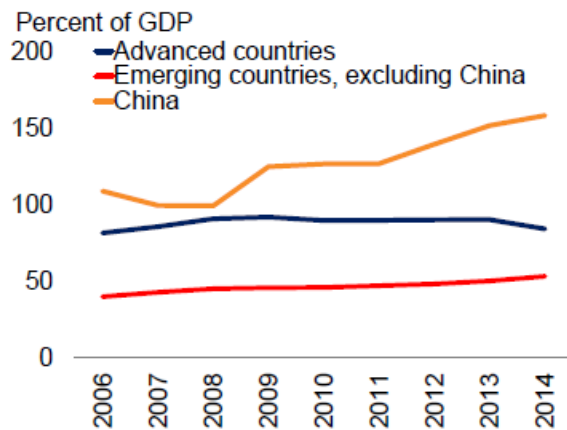


**Figure 44. China's Private Sector Debt to GDP, 1986-2015** <sup>105</sup>

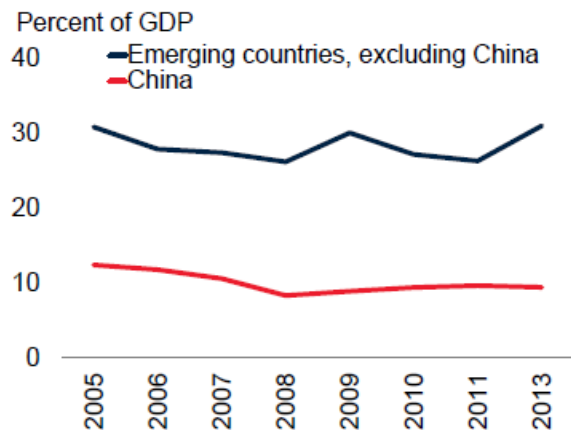


**Figure 43. Growth of Debt in China and Advanced Semi-Colonial Countries** <sup>104</sup>

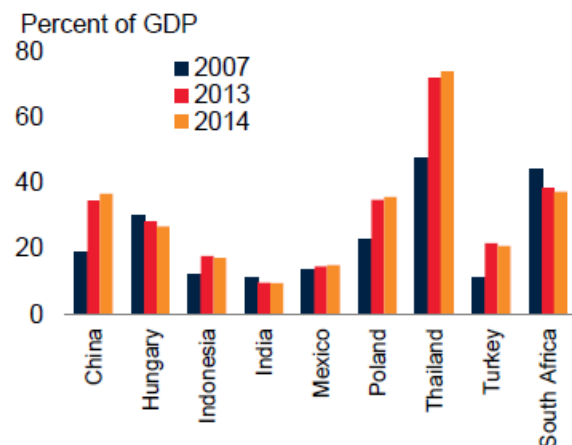
**A. Credit to the non-bank corporate sector**



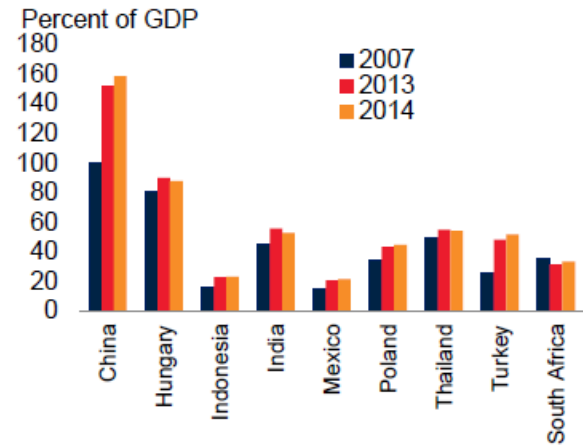
**B. External debt**



**C. Household debt**



**D. Corporate debt**





the end of 2007 to the second quarter of 2014, reaching \$199 trillion, or 286 percent of global GDP. Rising government debt in advanced economies explains one-third of the overall growth, as falling tax revenue and the costs of financial sector bailouts raised public sector borrowing. Growing debt of developing economies accounts for half of the growth. China's total debt has quadrupled since 2007, reaching \$28 trillion, accounting for 37 percent of growth in global debt." <sup>97</sup> In Figure 39 we see a detailed list of the level of debt in numerous capitalist countries and by respective sectors.

45. Because of the massive state-capitalist intervention, public debt has grown hugely in nearly all Western imperialist countries (see Figure 40). The same figure also shows the growing share of foreign investors holding loans, thereby potentially increasing dependency between them, to say nothing of raising tensions. Figure 41 shows not only the growth of government debt in the Western imperialist countries, but also that corporate defaults and debt downgrades have increased. Finally we show in Figure 42 that the old imperialist countries have also failed to reduce the debt of their corporate sector and in the Eurozone it has even increased.

46. As has already been mentioned, the level of national debt has increased with particular strength in China and advanced semi-colonial countries. Debt service ratios for the private non-financial sector of the BRICS economies (BRICS is the synonym for Brazil, Russia, China, India and South Africa) rose between 2010 and 2014 from nearly 0% to 3.5%. <sup>103</sup> Figure 43 shows how both household as well as corporate debt in China, as well as various advanced semi-colonial countries like Indonesia, Mexico, Thailand, Turkey, Eastern Europe etc., is substantially higher today than before the last recession.

47. The case of China is naturally particularly significant because it is one of the biggest capitalist economies in the world. Not only does China have substantial public debt but that of its private sector is also growing rapidly. In fact, China's corporate sector is more in debt than the its counterpart in any other major imperialist country (see Figure 43, above). Today China's private sector debt relative to GDP stands at 196%. *Credit Suisse* writes that "China

has had the third biggest credit bubble over a 5-year period of any country in our database." Figure 44 depicts the exponentially increased growth of China's private sector debt since the start of the last recession in 2008.

48. Given the massive levels of debt of both the government and the corporate sector in nearly all imperialist countries, it is highly unlikely that the state will be able to intervene to save the banks and corporations after the outbreak of the next recession to the same degree as it did in 2008/09. Consequently, the brutal consequences of the recession will be less moderated by the capitalist state and will result in more bankruptcies and countries declaring default. Not only does this mean that the recession will be more severe than last time, but also makes it likely that popular protests will become more political than in the past. The workers and poor will question the passivity of the capitalist state faced with the crisis. Particularly in Sub-Saharan Africa and South East Asia, a huge number of hunger strikes were already witnessed in 2008, with more moderated ones in 2010. These food strikes are likely to occur yet again with the next recession, and may become even more severe and have increasingly greater political ramifications. Consequently, the workers and oppressed of these areas may become an important factor in the global class struggle. Under such circumstances, revolutionaries will have to fight for a transitional program focused on the nationalization and centralization of all financial institutions without compensation and under workers' control, for the expropriation of the super-rich, and for a public works program in order to abolish unemployment.

49. Finally, we highlight the fact that, in light of the stagnation of economies during the last few years, the process of monopolization has advanced significantly. The year 2015 set a new annual record for mergers and acquisitions, with companies around the world spending \$5.04 trillion, thereby exceeding the previous record set in 2007. Naturally, it is no coincidence that such waves of mergers and acquisitions peak in the last stage of the business cycle before the economy enters a recession. <sup>106</sup>

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## Endnotes

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*“We observe in history that homogeneous cycles are grouped in a series. Entire epochs of capitalist development exist when a number of cycles is characterized by sharply delineated booms and weak, short-lived crises. As a result we have a sharply rising movement of the basic curve of capitalist development. There are epochs of stagnation when this curve, while passing through partial cyclical oscillations, remains on approximately the same level for decades. And finally, during certain historical periods the basic curve, while passing as always through cyclical oscillations, dips downward as a whole, signalling the decline of productive forces.”*
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## RCIT PUBLICATIONS ON RUSSIA AND IMPERIALISM

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By Michael Pröbsting, March 2014



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#### V. Summary



# New Book!

## Michael Pröbsting: Greece: A Modern Semi-Colony

**The Contradictory Development of Greek Capitalism, Its Failed Attempts to Become a Minor Imperialist Power, and Its Present Situation as an Advanced Semi-Colonial Country**

The RCIT is proud to announce the publication of a new English-language book – *GREECE: A MODERN SEMI-COLONY*. The book's subtitle is: *The Contradictory Development of Greek Capitalism, Its Failed Attempts to Become a Minor Imperialist Power, and Its Present Situation as an Advanced Semi-Colonial Country with Some Specific Features*. It contains six chapters (144 pages) and includes 12 tables, 35 figures and 4 maps. The author of the book is Michael Pröbsting who serves as the International Secretary of the RCIT.

The following paragraphs are the back cover text of the book which gives an overview of its content.

Greece is at the forefront both of the capitalist crisis in Europe as well as of the class struggle. It is hardly an exaggeration to say that what the Arab Revolution has been for the world in the past few years, Greece has been for Europe.

Subsequently, the question of the class character of Greece is of crucial importance both for the domestic as well as for the international workers movement: Is it an imperialist

state, a semi-colonial country or something else, and what are its specific features?

In Chapter I we outline a summary of the Marxists' theoretical conception of imperialist respectively semi-colonial states. In Chapter II we give a brief historical overview of the development of Greek capitalism. In Chapter III we deal with Greece's failed attempt to become a minor imperialist power. In Chapter IV we outline the historic crisis of Greek capitalism from 2008 until today. In Chapter V we elaborate the most important programmatic conclusions and in the last Chapter we present a summary in the form of theses. The book contains 12 Tables, 35 Figures and 4 Maps. ■



## NEW RCIT PUBLICATION!



## The Origins of the Jews

By Yossi Schwartz, July 2015

**Chapter I: What are the origins of the Jews?**

**Chapter II: The Rise of Anti-Semitism**

**Chapter III: Anti-Semitism and Zionism**

**Chapter IV: The Russian Revolution: Bolshevism, the Bund, and Stalinism**

# Books from the RCIT

## Michael Pröbsting: The Great Robbery of the South Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital. Consequences for the Marxist Theory of Imperialism

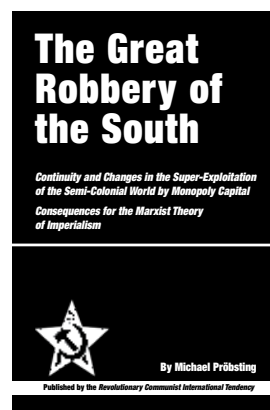
The RCIT is proud to announce the publication of a book called *THE GREAT ROBBERY OF THE SOUTH*. The book's subtitle is: *Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital*. Consequences for the Marxist Theory of Imperialism. The book is in English-language. It has 15 chapters, 448 pages and includes 139 Tables and Figures. The author of the book is Michael Pröbsting who is the International Secretary of the RCIT.

In *The Great Robbery of the South* Michael Pröbsting analyses the super-exploitation and oppression of the semi-colonial world (often referred to as the "Third World") by the imperialist powers and monopolies. He shows that the relationship between the small minority of rich capitalist countries and the huge majority of mankind living in the semi-colonial world forms one of the most important elements of the imperialist world system we are living in. The Great Robbery of the South shows that the past decades have been a complete confirmation of the validity of Lenin's theory of imperialism and its programmatic conclusions. *The Great Robbery of the South* demonstrates the important changes in the relationship between the imperialist and the semi-colonial countries. Using comprehensive material (including 139 Tables and Figures), Michael Pröbsting elaborates that never before has

such a big share of the world capitalist value been produced in the South. Never before have the imperialist monopolies been so dependent on the super-exploitation of the semi-colonial world. Never before has migrant labor from the semi-colonial world played such a significant role for the capitalist value production in the imperialist countries. Never before has the huge majority of the world working class lived in the South – outside of the old imperialist metropolises.

In *The Great Robbery of the South* Michael Pröbsting argues that a correct understanding of the nature of imperialism as well as of the program of permanent revolution which includes the tactics of consistent anti-imperialism is essential for anyone who wants to change the world and bring about a socialist future.

Order your copy NOW! \$20 / £13 / €15 plus p+p (21\$ for US and international, £9 for UK, €10 for Europe) ■



Look for details of the books at [www.great-robbery-of-the-south.net](http://www.great-robbery-of-the-south.net) and [www.cuba-sold-out.net](http://www.cuba-sold-out.net)

## Michael Pröbsting: Cuba's Revolution Sold Out? The Road from Revolution to the Restoration of Capitalism

The RCIT is proud to announce the publication of a book called *Cuba's Revolution Sold Out?*. The book's subtitle is: *The Road from Revolution to the Restoration of Capitalism*. The book is in English-language. It has 5 chapters plus an appendix, 108 pages and includes 19 Tables and Figures. The author of the book is Michael Pröbsting who is the International Secretary of the RCIT.

In *Cuba's Revolution Sold Out?* Michael Pröbsting analyses the character of the Cuban Revolution 1959-61, its bureaucratic degeneration, and the recent march of the Castro leadership towards capitalism.

The author demonstrates how the Cuban Revolution, despite the initial modest intentions of its leaders, was spurred forward to more radical policies by grass roots struggles of Cuban workers and peasants. In fact, the very abolishment of capitalism by the Cuban regime was no part of the original game plan of either Castro's Movimiento 26 de Julio or of the official Cuban communist party (PSP), but rather was a product of precisely such pressures from below.

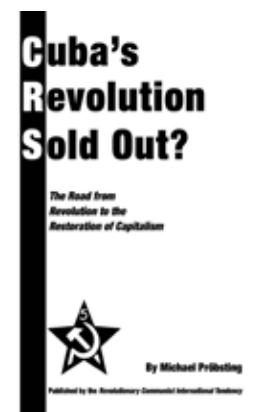
*Cuba's Revolution Sold Out?* describes in detail how a number of relatively recent political, economic, and social measures were

purposely taken by the Cuban government to open the road back to capitalism. Pröbsting elaborates the key role of the world's new great imperialist power, China, in Cuba's state policy as exemplified in the June 2011 Sino-Cuban agreement for a first Five-Year Plan of cooperation between these two states.

*Cuba's Revolution Sold Out?* examines these developments from the viewpoint of Marxist theory, the nature of the ruling bureaucracy in Stalinist states, and the process of restoration of capitalism under such regimes.

In conclusion, the book proposes a socialist program for political and social revolution in Cuba to halt the advance of capitalism and to eradicate the country's bureaucratic dictatorship.

Price: 8 Euro / 12 US-Dollars / 7 British Pound  
(plus delivery charges) ■



The Author: Michael Pröbsting is a revolutionary activist since 34 years. He is the author of many articles and pamphlets in German and English language. He published books or contributed to books on Rosa Luxemburg (1999), on the World Economy (2008), on Migration (2010) and the Arab Revolution (2011). In addition to *The Great Robbery of the South* and *Cuba's Revolution Sold Out?* he also published in 2014 the book *Building the Revolutionary Party in Theory and Practice. Looking Back and Ahead after 25 Years of Organized Struggle for Bolshevism*. He is the International Secretary of the Revolutionary Communist International Tendency.

# What the RCIT Stands for

The *Revolutionary Communist International Tendency* (RCIT) is a revolutionary combat organisation fighting for the liberation of the working class and all oppressed. It has national sections in a number of countries. The working class is composed of all those (and their families) who are forced to sell their labor power as wage earners to the capitalists. The RCIT stands on the theory and practice of the revolutionary workers' movement associated with the names of Marx, Engels, Lenin, and Trotsky.

Capitalism endangers our lives and the future of humanity. Unemployment, war, environmental disasters, hunger, and exploitation are all part of everyday life under capitalism as are the imperialistic oppression of nations, the national oppression of migrants, and the oppression of women, young people, and homosexuals. Therefore, we want to eliminate capitalism.

The liberation of the working class and all oppressed is possible only in a classless society without exploitation and oppression. Such a society can only be established internationally.

Therefore, the RCIT is fighting for a socialist revolution at home and around the world.

This revolution must be carried out and led by the working class, for only this class has the collective power to bring down the ruling class and build a socialist society.

The revolution cannot proceed peacefully because a ruling class never has nor ever will voluntarily surrender its power. By necessity, therefore, the road to liberation includes armed rebellion and civil war against the capitalists.

The RCIT is fighting for the establishment of workers' and peasants' republics, where the oppressed organize themselves in councils democratically elected in rank-and-file meetings in factories, neighbourhoods, and schools. These councils, in turn, elect and control the government and all other state authorities, and always retain the right to recall them.

Authentic socialism and communism have nothing to do with the so-called "socialism" that ruled in the Soviet Union and Eastern Europe, and which continues to do so in China and Cuba, for example. In these countries, the proletariat was and is dominated and oppressed by a privileged party bureaucracy.

Under capitalism, the RCIT supports all efforts to improve the living conditions of the workers and oppressed, while simultaneously striving to overthrow this system based on economic exploitation of the masses.

Towards these ends, we work from within the trade unions where we advocate class struggle, socialism, and workers' democracy. But trade unions and social democracy are controlled by a bureaucracy perniciously connected with the state and capital via status, high-paying jobs, and other privileges. Thus, the trade union bureaucracy is far from the interests and living conditions of

its members, based as it is on the top, privileged layers of the working class – a labor aristocracy which has no real interest in replacing capitalism. Therefore, the true struggle for the liberation of the working class, the toppling of capitalism and the establishment of socialism, must be based on the broad mass of the proletariat rather than their "representative" from the upper trade union strata.

We also fight for the expropriation of the big land owners as well as for the nationalisation of the land and its distribution to the poor and landless peasants. Towards this goal we struggle for the independent organisation of the rural workers.

We support national liberation movements against oppression. We also support the anti-imperialist struggles of oppressed peoples against the great powers. Within these movements we advocate a revolutionary leadership as an alternative to nationalist or reformist forces.

While the RCIT strives for unity of action with other organizations, we are acutely aware that the policies of social democrats and pseudo-revolutionary groups are dangerous, and ultimately represent an obstacle to the emancipation of the working class, peasants, and the otherwise oppressed.

In wars between imperialist states we take a revolutionary defeatist position: we do not support either side, but rather advocate the transformation of the war into a civil war against the ruling class in each of the warring states. In wars between imperialist powers (or their stooges) and a semi-colonial countries we stand for the defeat of the former and the victory of the oppressed countries.

As communists, we maintain that the struggle against national oppression and all types of social oppression (women, youth, sexual minorities etc.) *must* be led by the working class, because only the latter is capable of fomenting a revolutionary change in society. Therefore, we consistently support working class-based revolutionary movements of the socially oppressed, while opposing the leadership of petty-bourgeois forces (feminism, nationalism, Islamism, etc.), who ultimately dance to the tune of the capitalists, and strive to replace them with revolutionary communist leadership.

Only with a revolutionary party fighting as its leadership can the working class be victorious in its struggle for liberation. The establishment of such a party and the execution of a successful revolution, as it was demonstrated by the Bolsheviks in Russia under Lenin and Trotsky remain the models for revolutionary parties and revolutions in the 21<sup>st</sup> century.

For new, revolutionary workers' parties in all countries!  
For a 5<sup>th</sup> Workers International to be founded on a revolutionary program! Join the RCIT!

*No future without socialism!*

*No socialism without revolution!*

*No revolution without a revolutionary party!*

