

# **Another Great Recession of the Capitalist World Economy Has Begun**

*The economic crisis is an important factor in the current dramatic shift in the world situation*

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## **Contents**

### **Introduction**

**The beginning of the Great Recession**

**Economic downturn in the old imperialist economies ...**

**... as well as in China**

**A crisis of profits**

**Confirmation of the Marxist analysis of China's class character**

**Remarks on the peculiar character of the current Great Recession**

## Introduction

We are in the midst of a dramatic shift in the world situation. There are at least four major developments which, in combination, herald a huge acceleration of the global political and economic contradictions. These developments are:

- a) The beginning of another Global Recession
- b) The decline of U.S. hegemony globally and, in particular, in the Middle East
- c) The political crisis of counter-revolutionary leaders in the West (e.g. Trump, Netanyahu, Mohammed bin Salman, General Sisi)
- d) A huge upswing of the global class struggle (Ecuador, Haiti, Chile, Honduras, Iraq, Lebanon, Egypt, Hong Kong, etc.)

It is self-evident that these developments are of crucial importance for socialist activists. It is of utmost importance to understand the nature of this global process and to draw the necessary conclusions. The RCIT has undertaken substantial efforts in the past years to analyze the current historic period of capitalist decay and its specific characteristics. As a result we have been able to predict the fundamental line of development and to prepare politically for them. <sup>1</sup>

Furthermore we have already started in the past weeks to analyze the features of the current shift in the world situation. <sup>2</sup> In the present essay we will focus on analyzing a further important development – the beginning of another Global Recession of the capitalist world economy.

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<sup>1</sup> See e.g. RCIT: World Perspectives 2019: Heading Towards a Volcanic Political Eruption. Theses on the World Situation, the Perspectives for Class Struggle and the Tasks of Revolutionaries, 2 March 2019, <https://www.thecommunists.net/theory/world-perspectives-2019/>; Michael Pröbsting: World Perspectives 2018: A World Pregnant with Wars and Popular Uprisings, RCIT Books, <https://www.thecommunists.net/theory/world-perspectives-2018/>; RCIT: World Perspectives 2017: The Struggle against the Reactionary Offensive in the Era of Trumpism, 18 December 2016, <https://www.thecommunists.net/theory/world-perspectives-2017/>; RCIT: World Perspectives 2016: Advancing Counterrevolution and Acceleration of Class Contradictions Mark the Opening of a New Political Phase, 23 January 2016, <https://www.thecommunists.net/theory/world-perspectives-2016/>; RCIT: Perspectives for the Class Struggle in Light of the Deepening Crisis in the Imperialist World Economy and Politics, 11 January 2015, <https://www.thecommunists.net/theory/world-situationjanuary-2015/>; RCIT: Escalation of Inner-Imperialist Rivalry Marks the Opening of a New Phase of World Politics. Theses on Recent Major Developments in the World Situation Adopted by the RCIT's International Executive Committee, April 2014, in: *Revolutionary Communism* (English-language Journal of the RCIT) No. 22, <http://www.thecommunists.net/theory/world-situation-april-2014/>; RCIT: Aggravation of Contradictions, Deepening of Crisis of Leadership. Theses on Recent Major Developments in the World Situation Adopted by the RCIT's International Executive Committee, 9.9.2013, in: *Revolutionary Communism* No. 15, <http://www.thecommunists.net/theory/world-situation-september2013/>; RCIT: The World Situation and the Tasks of the Bolshevik-Communists. Theses of the International Executive Committee of the Revolutionary Communist International Tendency, March 2013, in: *Revolutionary Communism* No. 8, [www.thecommunists.net/theory/world-situation-march-2013/](http://www.thecommunists.net/theory/world-situation-march-2013/); 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, RCIT Books, Vienna 2013, <https://www.thecommunists.net/theory/great-robbery-of-the-south/>

<sup>2</sup> The RCIT has published a number of statements and articles in the past weeks on dramatic events in the Middle East, in Ecuador, Hong Kong, Kashmir, Catalunya etc. They can all be found in the respective sections on our website for the different continents; see also Michael Pröbsting: The Gang Leaders of Western Counterrevolution Are Faltering. Some observations on an interesting historic moment in the world situation, 25 September 2019, <https://www.thecommunists.net/worldwide/global/the-gang-leaders-of-western-counterrevolution-are-faltering/>

It is well known that for Marxists theoretical work is not an end in itself. It should be a “*guide to action*”, as Engels once wrote.<sup>3</sup> Theoretical work must inform the practice and the practice shall fertilize the theory. Trotsky’s thoughtful remark has lost nothing in validity:

*„The strength of Marxism is in the unity of scientific theory with revolutionary struggle. On these two rails, the education of the communist youth should progress. The study of Marxism outside the revolutionary struggle can create bookworms but not revolutionaries. Participation in the revolutionary struggle without the study of Marxism is unavoidably full of danger, uncertainty, half-blindness. To study Marxism as a Marxist is possible only by participating in the life and struggle of the class; revolutionary theory is verified by practice, and practice is clarified by theory. Only the truths of Marxism that are conquered in struggle enter the mind and the blood.”*<sup>4</sup>

The following analysis of the capitalist world economy should be read in this context. Its purpose is to aid Marxists in understanding the current upheavals in the world situation so that they can intervene more effectively in the mass struggles and work towards winning activists for a revolutionary perspective. And indeed, this is the central task today: winning the vanguard of the workers and oppressed and organizing them in a revolutionary party nationally and internationally. Because without such a party, it will be impossible to organize the international socialist revolution – the only way to liberate humanity from the misery of capitalism! The RCIT calls all revolutionaries to join us in this great task!

### **The beginning of the Great Recession**

The RCIT predicted in its last *World Perspective* document, published in March 2019, that the capitalist world economy is at the threshold of another Great Recession. *““In our World Perspectives documents we have pointed out an acceleration of several lines of contradiction. In particular we stressed that the world capitalist economy has not overcome its fundamental problems but has rather just delayed its explosion (by rising indebtedness, “Quantitative Easing”, etc.). Likewise, we have seen a constant acceleration of the tensions between the Great Powers – in particular since the beginning of the Trump Administration. Both these lines of contradiction – the economic crisis as well as the Great Power rivalry – are now experiencing a transformation from quantity into quality. (...) We have also drawn attention to the looming next great recession. In fact, it seems that this recession is about to begin now.”*<sup>5</sup> This period of a severe economic slump has started now – a decade after the last one in 2008/09 which again was the worst crisis of the capitalist world economy since 1929-33. As we have showed elsewhere the last decade has been characterized by economic stagnation.

The sector dragging the world economy into the current Great Recession is industry – i.e. the sector which produces the largest part of capitalist surplus value – alongside with global trade. The

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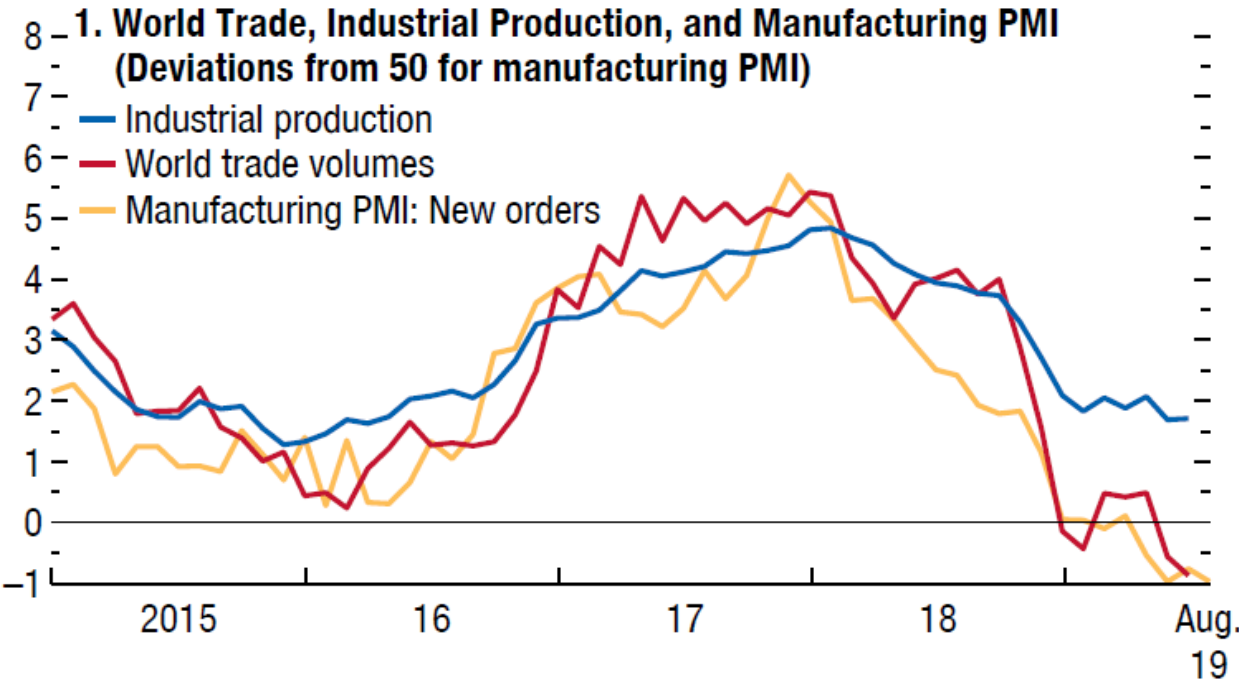
<sup>3</sup> Friedrich Engels: Letter to Friedrich Adolph Sorge, 29 November 1886, in: MECW Vol. 47, p. 532

<sup>4</sup> Leon Trotsky: To the Spanish Youth, in: Leon Trotsky: The Spanish Revolution (1931-39), Pathfinder Press, New York 1973, p. 180

<sup>5</sup> RCIT: World Perspectives 2019: Heading Towards a Volcanic Political Eruption. Theses on the World Situation, the Perspectives for Class Struggle and the Tasks of Revolutionaries, 2 March 2019, <https://www.thecommunists.net/theory/world-perspectives-2019/>. We have regularly analyzed the development of the global economy. In addition to the annual documents on the *World Perspectives* mentioned above we refer e.g. to Michael Pröbsting: The Next Looming Great Recession. Observations on the Latest Stock Market Slump and the Structural Crisis of the Capitalist World Economy, 12 October 2018, <https://www.thecommunists.net/theory/the-next-looming-great-recession/>

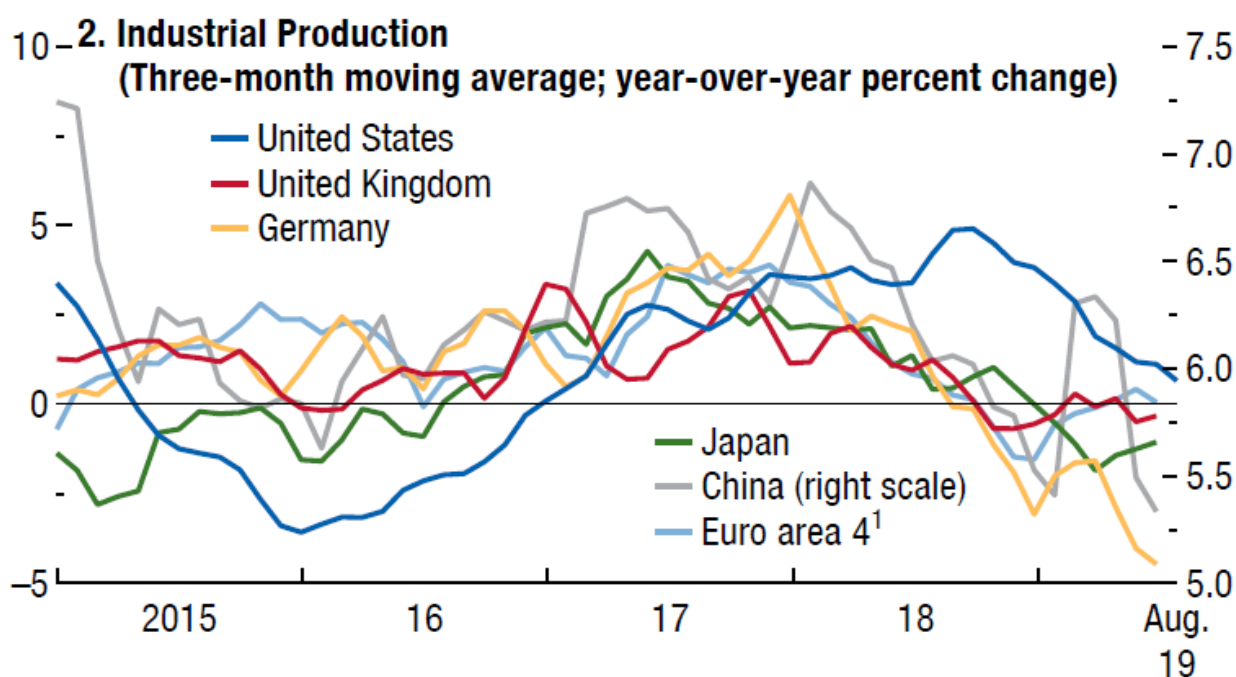
International Monetary Fund (IMF) shows in its latest *World Economic Outlook* that the *Manufacturing Purchasing Managers Index (PMI)* has turned negative since about several months, i.e. that corporations around the world report a decline of business activities. (See Figure 1) Likewise, manufacturing around the world has already entered recession or is close to that. (See Figure 2)

Figure 1: World Trade, Industrial Production, and Manufacturing PMI, 2015-19 <sup>6</sup>



<sup>6</sup> IMF: *World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers*. Washington, DC, October 2019, p. 2

Figure 2: Industrial Production, 2015-19 <sup>7</sup>



Gita Gopinath, a leading economist at the IMF, soberly summarizes the IMF assessment of the state of the global economy: *“The global economy is in a synchronized slowdown and we are, once again, downgrading growth for 2019 to 3 percent, its slowest pace since the global financial crisis. Growth continues to be weakened by rising trade barriers and increasing geopolitical tensions. We estimate that the US-China trade tensions will cumulatively reduce the level of global GDP by 0.8 percent by 2020. Growth is also being weighed down by country-specific factors in several emerging market economies, and by structural forces, such as low productivity growth and aging demographics in advanced economies.”* <sup>8</sup>

### Economic downturn in the old imperialist economies ...

This decline takes place in every major region of the capitalist world economy. In the U.S. the *National Association of Purchasing Managers’* index of manufacturing activity fell during 2019. In September it dropped by 1.3 points to 47.8 – the lowest reading since 2009. (Any reading below 50 indicates contraction.) It was the second month in a row manufacturing has contracted, continuing a slowing trend underway since March, according to data from the *Institute for Supply Management*.

According to the official statistics of the Federal Reserve Bank, U.S. industrial production already declined by -1.9% resp. -2.2% in the first two quarters of 2019. <sup>9</sup> This tendency has continued in the last months. *“At 109.5 percent of its 2012 average, total industrial production was 0.1 percent lower in September than it was a year earlier. Capacity utilization for the industrial sector decreased 0.4 percentage point in*

<sup>7</sup> IMF: World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers. Washington, DC, October 2019, p. 2

<sup>8</sup> Gita Gopinath: The World Economy: Synchronized Slowdown, Precarious Outlook, October 15, 2019 <https://blogs.imf.org/2019/10/15/the-world-economy-synchronized-slowdown-precarious-outlook/>

<sup>9</sup> FEDERAL RESERVE statistical release, October 17, 2019, Industrial Production and Capacity Utilization, p. 7

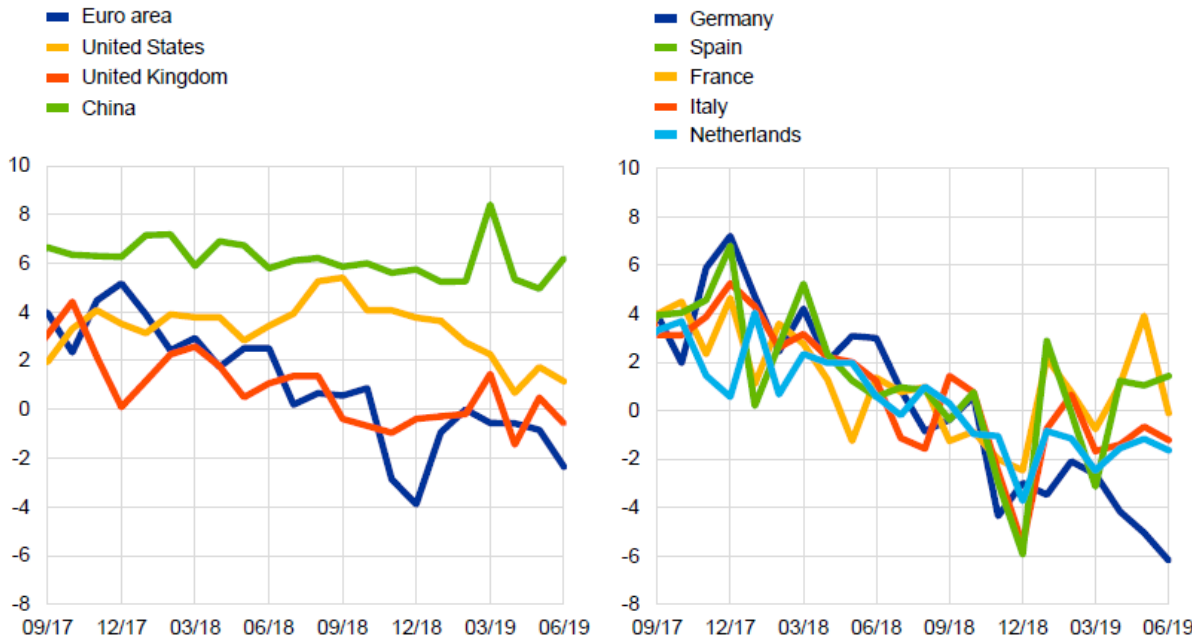
September to 77.5 percent, a rate that is 2.3 percentage points below its long-run (1972–2018) average.”<sup>10</sup> In other words, manufacturing in the U.S. has entered a recession.<sup>11</sup>

In Europe, the industrial sector faced decline already since late 2018. (See Figure 2 and 3) This is particularly the case with Germany, the continents’ largest and most important economy. The European Central bank reports in the latest issue of its Bulletin: “After a sharp decline in 2018 amid weak global trade, year-on-year growth in euro area industrial production (excluding construction) recovered marginally in 2019 but remained in negative territory. In the period from January 2018 to June 2019 the year-on-year growth rate of euro area industrial production (excluding construction) fell by 6.3 percentage points overall, from 3.9% to -2.4%. This is by far the largest fall recorded among major economies in that period. In the United States, the decline in industrial production started later, in September 2018.”<sup>12</sup>

**Figure 3: Industrial Production in Euro Area, United States, Britain and China, September 2017 – June 2019**<sup>13</sup>

### Industrial production excluding construction in the euro area and other major economies

(year-on-year percentage changes)



Source: Eurostat.  
 Note: The latest observation is for June 2019.

<sup>10</sup> FEDERAL RESERVE statistical release, October 17, 2019, Industrial Production and Capacity Utilization, p. 2  
<sup>11</sup> See e.g. David P. Goldman: Trump may have secured re-election today, 2019-10-12 <https://www.asiatimes.com/2019/10/article/trump-may-have-secured-re-election-today/>; Al Jazeera: Global shares sink as US manufacturing hits 10-year low, 2019-10-02 <https://www.aljazeera.com/ajimpact/global-shares-sink-manufacturing-hits-10-year-191002012021910.html>; Asia Times: Worst month for US manufacturers since 2009: ISM, 2019-10-02 <https://www.asiatimes.com/2019/10/article/worst-month-for-us-manufacturers-since-2009-ism/>; David P. Goldman: US data crashes stock market, threatens Trump, 2019-10-03 <https://www.asiatimes.com/2019/10/article/us-data-crashes-stock-market-threatens-trump/>  
<sup>12</sup> Roberto A. De Santis and Srečko Zimic: Domestic versus foreign factors behind the fall in euro area industrial production, in: European Central Bank: Economic Bulletin, Issue 6 / 2019, p. 50  
<sup>13</sup> Roberto A. De Santis and Srečko Zimic: Domestic versus foreign factors behind the fall in euro area industrial production, in: European Central Bank: Economic Bulletin, Issue 6 / 2019, p. 50

A similar development can be observed in Japan. According to the latest official statistics of the Ministry of Economy, Trade and Industry, Japan's manufacturing and mining sector declined in the first and second quarter of this year by -1.7% resp. 2.3% (year-on-year) – a process which has continued until today. (See also Figure 2) <sup>14</sup>

### ... as well as in China

A crucial factor is the development of China's economy which has become the largest or second-largest economy in the world (depending on the method of calculation). Due to the peculiar process of capitalist restoration in the 1990s, the country's economy has experienced a long-lasting period of growth reflecting the process of initial accumulation of capital.

However, China's economy is experiencing currently its most significant downturn since the restoration of capitalism in the early 1990s. The *South China Morning Post*, an informative newspaper owned by the Alibaba corporation (its CEO until recently, Jack Ma, is one of the richest capitalists in China) reports: *"China's manufacturing sector remained in the doldrums in September, with sentiment among factory operators remaining in negative territory for the fifth month in a row. The manufacturing purchasing managers' index, released by the National Bureau of Statistics on Monday, was 49.8 in September, up from 49.5 in August and above a survey of analysts by Bloomberg, the median forecast of which was 49.6."* <sup>15</sup>

Of course, China is – like other countries – affected by the consequences of the Global Trade War. However, this decline in manufacturing has first and foremost structural and domestic causes as it started already before the latest escalation of Trump's rise of tariffs against China's export to the U.S. *"China's industrial engine continued to stutter in August, with a key gauge of the country's manufacturing output slumping to a new 17-year low, in the last month before the United States imposed new tariffs on Chinese-made goods. Industrial production, which measures China's industrial output, including manufacturing, mining and utilities, grew at 4.4 per cent last month, down from 4.8 per cent in July, which in itself was the lowest rate since February 2002."* <sup>16</sup> (For the declining growth rates of industrial production in China see also Figure 2)

The declining dynamic of China's economy is also reflected in its lowest growth figures since the restoration of capitalism. According to the latest data, China's gross domestic product growth slid to 6.2% in the second quarter and to only 6% in third quarter of 2019. These are the weakest quarterly

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<sup>14</sup> Ministry of Economy, Trade and Industry (Japan): Report on Indices of Industrial Production (Production, shipments and Inventories), October 2019, p. 5, <https://www.meti.go.jp/english/statistics/tyo/iip/index.html>. We draw attention to the fact that the statistical methods in Japan differ somehow from those used in the U.S. and the EU. Hence, growth resp. decline in output in these statistics is calculated in relation to a selected level of production in a past year. In this case, for example, the figures are in comparison with the average production level of the year 2015.

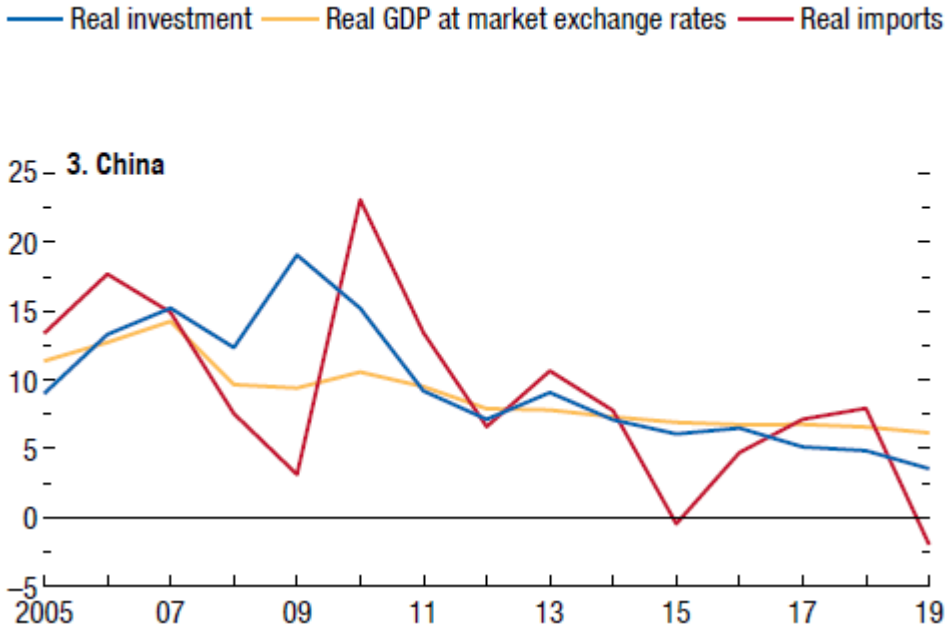
<sup>15</sup> Finbarr Bermingham, Kathleen Magramo: China's manufacturing remained weak in September as activity contracted for fifth straight month, data shows, *South China Morning Post*, 30 Sep, 2019 <https://www.scmp.com/economy/china-economy/article/3030877/chinas-manufacturing-remained-weak-august-activity-contracted>

<sup>16</sup> Finbarr Bermingham, Orange Wang: China's industrial engine slowed to new 17-year low in August, even before new US trade war tariffs took effect, *South China Morning Post*, 16 Sep, 2019 <https://www.scmp.com/economy/china-economy/article/3027374/chinas-industrial-engine-slowed-new-17-year-low-august-even>

growth rates since 1992 according to government statistics. <sup>17</sup> (We leave aside at this place that since a number of years several economists have raised serious doubts about the validity of the high figures of China’s economy in the official statistics. <sup>18</sup>)

Another indication for the structural reasons of the decline of China’s economy is the fact that the process of capital accumulation has dramatically slowed down since 2009 – i.e. since the last global Great Recession. (See Figure 4)

**Figure 4: China’s Investment and Trade, 2005-19** <sup>19</sup>



**A crisis of profits**

The final cause of the declining dynamic of the capitalist world economy, as Marxists have repeatedly pointed out, is the tendency of the profit rate to fall. As we have shown in past documents, this tendency is indeed determining the long-term development of capitalism. (See Figure 5)

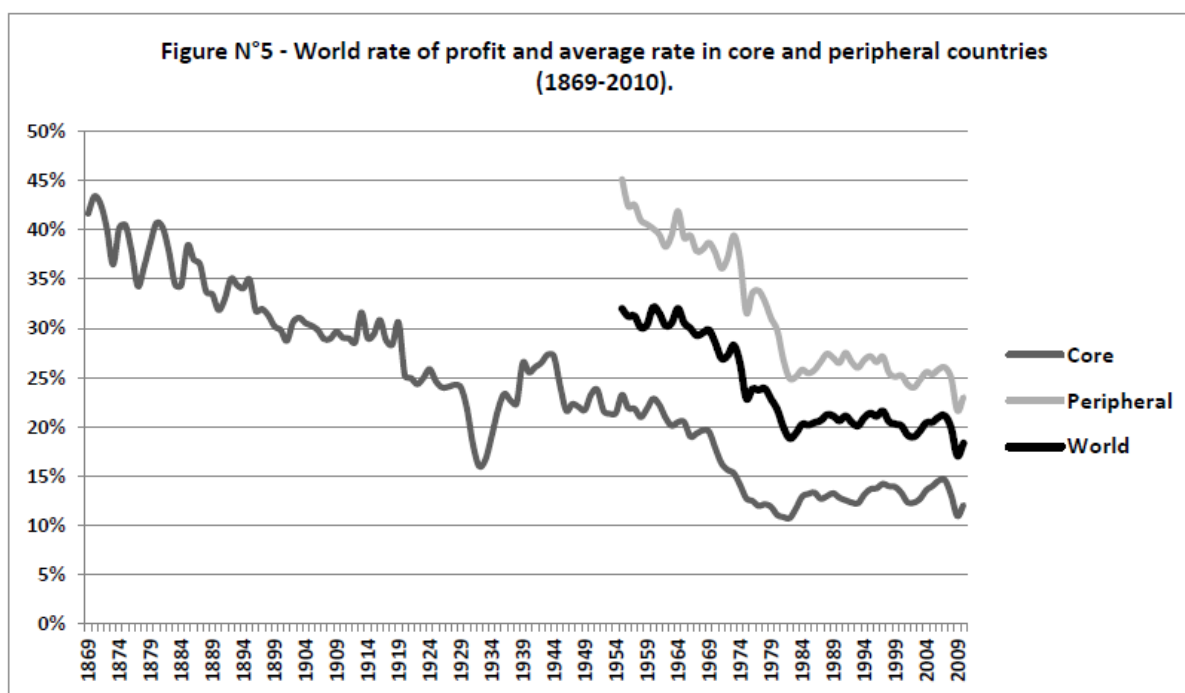
<sup>17</sup> Laura He: China’s economic growth drops to lowest level since 1992, CNN Business, October 18, 2019, <https://edition.cnn.com/2019/10/17/economy/china-gdp-economy-trade-war/index.html>; Amanda Lee: China’s total debt rises to over 300 per cent of GDP as Beijing loosens borrowing curbs to boost growth, South China Morning Post, 17 Jul, 2019 <https://www.scmp.com/economy/china-economy/article/3018991/chinas-total-debt-rises-over-300-cent-gdp-beijing-loosens>; Li Xuanmin and Huang Ge: China’s Q3 GDP growth slows to 6.0% to hit a 27-year low, still within target range, Global Times 2019/10/18 <http://www.globaltimes.cn/content/1167256.shtml>; Jimmy Yee: China economic growth slows to a 27-year low, 2019-10-18 <https://www.asiatimes.com/2019/10/article/china-economic-growth-slows-to-a-27-year-low/>; Joe McDonald: China’s economic slowdown deepens, weighing on global growth, 2019-10-18 <https://apnews.com/a776f7a522014679a40964dc4d1eed58>

<sup>18</sup> See e.g. Gordon Watts: Fake figures cloud China’s economic data, 2019-10-18, <https://www.asiatimes.com/2019/10/article/fake-figures-could-cloud-chinas-economic-data/>

<sup>19</sup> IMF: World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers. Washington, DC, October 2019, p. 3



Figure 5. World Rate of Profit and Average Rate in Core and Peripheral Countries (1869-2010) <sup>20</sup>



Likewise, we see a crisis of profitability behind the current recession. *Bloomberg* reported recently: “Global profit growth stalled in the second quarter, depressing business confidence and leading to cutbacks in capital spending worldwide. Behind the earnings squeeze: rising worker wages, lackluster productivity growth and a general lack of pricing power. The danger is that profit-pinch corporations will next take the chop to their work forces, knocking consumer confidence and spending for a loop.” <sup>21</sup>

Significantly, such a decline of profits also takes place in China’s large corporations. “China’s creaking economy is showing further signs of stress as the trade war with the United States drags on. Data released by the National Bureau of Statistics on Friday revealed that profits at industrial companies dropped by 2% in August. Triggered by weak domestic demand and fallout from the row between Beijing and Washington, industrial profits came in at 517.8 billion yuan (US\$72.59 billion). That was 2% down compared to the same period last year and reversed the 2.6% gain in July.” <sup>22</sup>

Given the fact that “there’s little to stop the American manufacturing sector from falling over the edge” (*Bloomberg*) <sup>23</sup>, panic is spreading among the bosses. The *Financial Times*, one of the global flagships of the Western bourgeoisie, recently published a highly interesting article which reported that the big capitalists are trying to get rid of shares of their own companies fearing the imminent slump.

<sup>20</sup> Esteban Ezequiel Maito: The historical transience of capital. The downward trend in the rate of profit since XIX century, 2014, p. 13

<sup>21</sup> Michelle Jamrisko, Enda Curran, and Zoe Schneeweiss: Is the World Economy Sliding Into First Recession Since 2009? *Bloomberg*, 13. Oktober 2019, <https://www.bloomberg.com/news/articles/2019-10-12/is-the-world-economy-sliding-into-first-recession-since-2009?srnd=premium-europe>

<sup>22</sup> Jimmy Yee: Industrial profits dip as China’s economy slows, *Asia Times*, 2019-09-27 <https://www.asiatimes.com/2019/09/article/industrial-profits-dip-as-chinas-economy-slows/>; see also Amanda Lee: China’s industrial profits contract in August as economy battles slow growth amid trade war with US, *South China Morning Post*, 27 Sep, 2019, <https://www.scmp.com/economy/china-economy/article/3030619/chinas-industrial-profits-contract-august-economy-battles>

<sup>23</sup> Brooke Sutherland: A Manufacturing Recession Is Here. Now What? 23. August 2019, <https://www.bloomberg.com/opinion/articles/2019-08-23/trade-war-manufacturing-recession-pressure-industrial-companies>

*“Executives across the US are shedding stock in their own companies at the fastest pace in two decades, amid concerns that the long bull market in equities is reaching its final stages. Corporate insiders — typically chief executives, chief financial officers and board members — sold a combined \$19bn of stock in their companies through to mid-September, according to data from Smart Insider, a UK-based group. That puts them on track to hit about \$26bn for the year, which would mark the most active year since 2000, when executives sold \$37bn of stock amid the giddy highs of the dotcom bubble. That projected total for the year would also set a post-crisis high, eclipsing the \$25bn of stock sold in 2017.”*<sup>24</sup>

Clearly, the capitalist rats are fleeing the sinking ship!

### **Confirmation of the Marxist analysis of China’s class character**

The latest developments confirm once more the Marxist analysis of the capitalist class character of China’s economy and its rise to an imperialist Great Power.<sup>25</sup> As it is well known numerous Stalinist parties and pseudo-socialist groups characterize China as a “*socialist country*” or as a “*deformed non-capitalist workers state*”. In fact, China was a deformed workers state dictatorially ruled by a Stalinist bureaucracy until the early 1990s. By that time, the ruling elite systematically introduced the law of value in the economy and China became a capitalist state. At the same time, the regime transformed into a Stalinist-capitalist dictatorship.<sup>26</sup>

However, as we have demonstrated above, China is heading a cyclical crisis. This in itself demonstrates the existence of capitalist business cycles in China as well as its organic connection with the capitalist world economy. This is in contrast, we note in passing, to the development of the Stalinist states in from the 1950s until 1989. While they faced from a certain point onwards a tendency towards stagnation inherent to the rotten Stalinist methods of bureaucratic planning, their economies were not characterized by a cyclical development as it has always been characteristic for capitalism.<sup>27</sup>

Furthermore, the capitalist character of China’s economy is also demonstrated by the declining dynamic of capitalist profit in the large corporations.

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<sup>24</sup> Richard Henderson: Insider stock sales rise to two-decade high in the US, Financial Times, September 24 2019 <https://www.ft.com/content/d95e12a6-dbed-11e9-8f9b-77216ebe1f17>

<sup>25</sup> The RCIT has published a number of documents on the rise of China as a new imperialist Great Power. They are collected at a special sub-page on our website: <https://www.thecommunists.net/theory/china-russia-as-imperialist-powers/>. Our most updated analysis of China and the accelerating rivalry between the Great Powers can be read in Michael Pröbsting: Anti-Imperialism in the Age of Great Power Rivalry. The Factors behind the Accelerating Rivalry between the U.S., China, Russia, EU and Japan. A Critique of the Left’s Analysis and an Outline of the Marxist Perspective, RCIT Books, January 2019, <https://www.thecommunists.net/theory/anti-imperialism-in-the-age-of-great-power-rivalry/>

<sup>26</sup> On the capitalist restoration in China see e.g. Michael Pröbsting: China’s transformation into an imperialist power. A study of the economic, political and military aspects of China as a Great Power (2012), in: Revolutionary Communism No. 4, <http://www.thecommunists.net/publications/revcom-number-4>. For some updated figures demonstrating the capitalist character of China today see e.g. those articles by Michael Pröbsting: China passes the US on Global Business Ranking for the first time. New data on global corporations reflects China’s rise as an imperialist Great Power, 23 July 2019, <https://www.thecommunists.net/worldwide/global/china-passes-the-us-on-global-business-ranking-for-first-time/>; China: A Paradise for Billionaires, 27.10.2018, <https://www.thecommunists.net/worldwide/asia/china-is-a-paradise-for-billionaires/>

<sup>27</sup> For our theoretical and historical analysis of Stalinism see League for the Revolutionary Communist International: The Degenerated Revolution: The Origin and Nature of the Stalinist States, <https://www.thecommunists.net/theory/stalinism-and-the-degeneration-of-the-revolution/>; see also chapter 2 in Michael Pröbsting: Cuba’s Revolution Sold Out? The Road from Revolution to the Restoration of Capitalism, RCIT Books, Vienna 2013, <https://www.thecommunists.net/theory/cuba-s-revolution-sold-out/>

As we have discussed repeatedly, there are also a number of socialists who understand (incompletely) the capitalist character of the Chinese regime. However, as we analyzed in detail in our latest book on the Great Power rivalry, they wrongly refuse to recognize the imperialist character of China. They mistakenly view it as something qualitatively different and weaker and use descriptors such as “semi-colonial” or “sub-imperialist”.

However, the enormous weight of the China in the world economy indicates that it is not a subordinated country. If one takes, for example, India – a country with nearly the same population size like China – the difference is visible. India is a much weaker economy, indeed it is a semi-colonial intermediate power.<sup>28</sup> Hence, its economic development does not shape the process of the capitalist world economy. This is in sharp contrast to China! Its relative boom in the later 2000s avoided a worse slump of the world economy. And, on the other hand, its current downturn accelerates the current global crisis.

Likewise, China has been successfully able to withstand the pressure of U.S. imperialism in the Global Trade War which lasts now already since more than one and a half years. Not only this, Beijing seems now to force the Trump Administration to beat a retreat or, at least, to look for a compromise. A “semi-colonial” or “sub-imperialist” country could not have achieved this. Only an imperialist Great Power could do so!<sup>29</sup>

### **Remarks on the peculiar character of the current Great Recession**

We conclude this essay with two remarks. First, we are convinced that this recession will become more severe than the last one ten years ago. The reason for this is that in 2008/09, the slump hit in particular the old imperialist economies – the U.S., Western Europe and Japan. Naturally, this dragged down the whole world economy given the central weight of these regions. However, China and some other so-called “emerging economies” were much less hit by the recession at that time which prevented a complete collapse of the capitalist world economy. As we have shown above, this time it is different. China’s capitalism has joined now the declining dynamic of the capitalist world economy.

In addition, as we have repeatedly pointed out, the bourgeoisie intervened at the last Great Recession with a massive program of pumping money into the economy (loans, *quantitative easing*, etc.). However, the ruling class continued this kind of “financial Keynesianism” even after the Great Recession was over. As a result there has been a massive rise of indebtedness in the past decade.

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<sup>28</sup> For our analysis of India see e.g. chapter 5 in our pamphlet by Michael Pröbsting: *The China-India Conflict: Its Causes and Consequences. What are the background and the nature of the tensions between China and India in the Sikkim border region? What should be the tactical conclusions for Socialists and Activists of the Liberation Movements?* August 2017, <https://www.thecommunists.net/theory/china-india-rivalry/>; see also Michael Pröbsting: *India: A Prison House of Nations and Lower Castes (On the Reasons for Modi’s Coup in Kashmir). Essay on the social and national contradictions of Indian capitalism and the rise of Hindutva chauvinism*, 16 August 2019, <https://www.thecommunists.net/theory/india-is-a-a-prison-house-of-nations-and-lower-castes/>; see also Michael Pröbsting: *Semi-Colonial Intermediate Powers and the Theory of Sub-Imperialism. A contribution to an ongoing debate amongst Marxists and a proposal to tackle a theoretical problem*, 1 August 2019, <https://www.thecommunists.net/theory/semi-colonial-intermediate-powers-and-the-theory-of-sub-imperialism/>

<sup>29</sup> The RCIT has published a number of documents on the Global Trade War. They are collected in a special section on our website: <https://www.thecommunists.net/worldwide/global/collection-of-articles-on-the-global-trade-war/>; our latest analysis is by Michael Pröbsting: *Global Trade War: “If That Takes a Decade, So Be It!”*. A telling statement of Trump’s economic adviser Larry Kudlow about the U.S.-China Cold War, 9 September 2019, <https://www.thecommunists.net/worldwide/global/global-trade-war-if-that-takes-a-decade-so-be-it/>

According to the *Global Debt Monitor* of the *Institute of International Finance*, “debt around the globe hit \$246 trillion in Q1 2019, rising by \$3 trillion in the quarter, and outpacing the rate of growth of the global economy as total debt/GDP rose to 320%.”<sup>30</sup>

Today, indebtedness is in all sectors of the economy higher than in 2007, i.e. before the start of the last Great Recession (except, ironically, the financial sector as the banks succeeded in shifting the bad loans to the state)! (See Table 1)

**Table 1: Global Sectoral Indebtedness, 2019 versus 2007 (as % of GDP)**<sup>31</sup>

	Non-Financial Corporations	Government	Financial Sector	Household
2019 Q1:	91%	87%	81%	60%
2007 Q3:	77%	58%	86%	57%

The consequences of this development will be dramatic. Given the fact that the corporations have much more debts today than in 2007, they will be less able to take new loans in order to avoid bankruptcy. At the same time, the capitalist state is much less in a position to intervene and to save the corporations from bankruptcy than this was the case a decade ago. It is difficult to see how capitalist corporations could be able to avoid an economic massacre in their ranks!

It is noteworthy that while indebtedness has grown nearly all over the world, the fastest growth of debt since 2008 has taken place in China. According to the *Institute of International Finance* China’s gross debt surged dramatically from 171% of GDP in Q4 2008 to 299% in Q1 2018. This increase of debts has continued since then.<sup>32</sup> Furthermore, this process has taken place in nearly all sectors of the economy, i.e. in government, non-financial sectors and household.<sup>33</sup>

Another important character of the current recession is that it appears, and to a certain degree is, triggered by geopolitical decision. Everyone is aware that the Global Trade War, launched by Trump the Dumb, has caused disruption and decline in the world economy. Naturally, Marxists have to explain that such dubious personalities might have *triggered* the Great Recession its causes but that the real causes have to be sought in the fundamental contradictions of the capitalist mode of production. Nevertheless, such a “political” character of the new Great Recession will have important consequences for the political consciousness of the working class and the popular masses. It might help to show that it is not an “anonymous system” – against which people are impotent – which

<sup>30</sup> See: ZeroHedge: Global Debt Hits \$246 Trillion, 320% Of GDP, As Developing Debt Hits All Time High, July 15, 2019, <https://www.zerohedge.com/news/2019-07-15/global-debt-hits-246-trillion-320-gdp-developing-debt-hit-all-time-high>

<sup>31</sup> See: ZeroHedge: Global Debt Hits \$246 Trillion, 320% Of GDP, As Developing Debt Hits All Time High, July 15, 2019, <https://www.zerohedge.com/news/2019-07-15/global-debt-hits-246-trillion-320-gdp-developing-debt-hit-all-time-high>; Ben Chu: Global debt: Why has it hit an all-time high? And how worried should we be about it? The Independent, 5 January 2018, <https://www.independent.co.uk/news/business/analysis-and-features/global-debt-crisis-explained-all-time-high-world-economy-causes-solutions-definition-a8143516.html>

<sup>32</sup> Cary Springfield: How Much of a Concern Is China’s Debt Problem? International Banker, April 29, 2019 <https://internationalbanker.com/banking/how-much-of-a-concern-is-chinas-debt-problem/>

<sup>33</sup> See e.g. Frank Tang: China debt ratio jumps in first half as Beijing abandons deleveraging to support trade war-hit economy, South China Morning Post, 27 Aug, 2019, <https://www.scmp.com/economy/china-economy/article/3024572/china-debt-ratio-jumps-first-half-beijing-abandons>

drives the economy into the abyss but a concrete ruling capitalist class with political figures at the head.

We conclude by repeating that the beginning of another Great Recession goes hand in hand with profound world political shifts. In combination they will aggravate the antagonism between the states as well as between the classes and, thus, qualitatively transform the world political relations. We will see an increasing number of revolutionary as well as counter-revolutionary developments.

Authentic socialists must prepare for such developments and unite in order to build a Revolutionary World Party based on a program for liberation struggle under the present conditions. The RCIT is dedicating its forces to this big, indeed this historic goal. Join us in this struggle!