

Death by a Thousand Cuts...

Many liberal and even radical economists have raised the prospect of a “double-dip recession.” By the phrase “double-dip,” they refer to a repeat of the sharp downturn in growth experienced by most countries in 2008-2009.

The possibility of a recurrence, a violent contraction of economic activity, looms over the global economy as it stumbles and falters away from the shock of three years ago.

Since the capitalist economy has yet to expel the profound contradictions that produced the shock, the possibility of another sharp downturn cannot be ruled out.

However, an even worse outcome likely lurks ahead. Indeed, the economic diagnosis is so dire that a dramatic downturn might be welcomed in some circles as a release of the enormous pressures that impinge on the world’s economies. Such a downturn, destroying real and nominal wealth, consolidating productive means, and tragically devastating of living standards, might buy capitalism some breathing room and force policy makers to rethink their road map going forward.

Clearly, economists and politicians learned little or nothing from the 2008-2009 drama. In spite of the much acclaimed “death” of neo-liberalism celebrated in the depths of crisis by liberals like Paul Krugman and Robert Reich, the pre-crisis ideology of market sovereignty, minimal government, and monetary tune-up still reigns supreme. What policy makers have learned is to encourage Central Banks to administer a preemptive monetary transfusion at the first sign of a downturn.

While this has yet to stem the bleeding, it has kept the patient from bleeding to death.

Instead of the feared “double dip” recession, we may instead experience something far worse: a grinding slowdown, an intractable stagnation, a kind of economic death from a thousand cuts.

resilience and growth, policy makers are wary today of a similar “Lehman” moment, where markets seize, confidence plunges, and fear grips all economic activity.

Thus, the chairman of the Federal Reserve, Ben Bernanke, stands vigilantly at the gate intently looking for any economic interloper, though with no guarantee that he has the weapons to contain it. This vigilance is particularly acute in an election year, when no economic czar wants to be perceived as influencing the election outcome.

Popular mythology, many economists, and far too many Marxists depict economic crisis only as a great shock wave that sends economic life into chaos. Certainly the panic of 1929 implanted that image. But that image is a caricature of the decade of decline and weak, tentative recovery that cycled throughout the Great Depression until interrupted by the buildup for the Second World War.

Today’s crisis mirrors that event in many ways, yet exhibits its own unique features as well. Some of the differences are especially menacing.

Signs of Decline

The economic decline that I identified and forecast in my January post, *Summing Up/Taking Stock*, continues unabated. The slowdown in the growth of US Gross Domestic Product persisted through the second quarter. Euro-zone growth has actually turned negative, especially and deeply in the Southern European region.

The collapsing demand in this critical area has slowed the entire global economy, even the once fast-growing emerging market countries like China, Brazil, India, and Russia. The prospect of global economic growth is dim, stagnation likely, retreat very possible.

The key indicators from the capitalist point-of-view—earnings and productivity—stumbled in the first half of 2012 in the US. The burst of productivity growth that resulted from the harsh discipline imposed by unemployment, wage and benefit contraction, and speedup at the crest of the crisis produced an equally dramatic leap in earnings and the rate of profit.

For the capitalist, this signaled “recovery,” though a recover only for the “swells.” Today the momentum from that intensification of exploitation has dissipated—profit and productivity growth is again slowing. The system cannot work for the capitalists without these measures showing healthy growth and hence systemic decline becomes an issue again for the capitalist class.

The European front of the global crisis continues to deteriorate, but at a faster rate. GDP growth is negative through nearly all of the Euro-zone and debt-mongers continue their aggression against bond interest rates, both squeezing sovereign debtors and securing ever higher interest payments from them. The most vulnerable national economies are caught in a vicious scissors' crisis between escaping debt and restoring growth.

The Peoples' Republic of China, the world's second largest economy, has been racked by the global slowdown, dragging its growth prospects downward. Nearly all PRC economic indices are lower than for the same period a year ago. While domestic consumption is up, it is not at the impressive rate of a year ago. Nor is it as balanced as in 2011. Further, bad bank debt is up, private sector profits are down, and credit has slowed.

Other formerly vibrant emerging market economies are also slowing.

Of course the cold economic data mask the human costs of the economic crisis—a literal death by a thousand cuts. Unemployment, job insecurity, wage stagnation or decline, benefit cuts and cost increases, housing foreclosures, family dependencies and a host of other blows are bleeding all those without wealth and power.

Policy Paralysis

Choking any hope of recovery is the poverty of ideas shared by virtually all global policy makers. During the Great Depression, and unlike today, there were three new and radically opposed policy options that emerged as a response to the capitalist crisis (and imperialist war).

First was the challenge of socialism. Both the isolation from the capitalist market and the successes of agricultural realignment, industrialization, and planning kept the sole socialist state, the Soviet Union, immune from crisis and enjoying unprecedented twentieth-century growth and development.

Most notably in Europe, the appeal of socialism and the attraction of Communist Parties increased dramatically, especially in politically unstable countries like Italy, Germany, and Spain.

In response, rabid nationalism, fanatical anti-Communism, and a corporatist state combined to establish a new form of capitalist rule: fascism. The driving force behind the rise of fascism—its principle purpose—was destruction of the Communist

left; it was essentially a counter-revolutionary movement. Fascism's answer to the economic crisis was militarization, war, a collective tribal mentality, and the dismantling of the parliamentary system. It arose in an historic context, a historically unique moment.

Though seldom acknowledged by scholarly accounts, fascism planted deep roots in other countries with significant working class and peasant left-wing movements, countries like Poland, Romania, Finland, and Hungary. Equally neglected by historians is the essential feature of anti-Communism, the feature that generates and animates fascism wherever it reappears.

Many point to the US New Deal as a third way and a less radical response to Communism, a moderate and modest social-democratic program that began as a quasi-corporatist approach (the National Recovery Administration) and morphed into a public sector-driven welfare and public employment project. That it brought relief to millions who would have otherwise suffered needlessly is indisputable. That it did not "solve" the crisis of capitalism is equally indisputable. As with UK Conservative Party governance of that time, the economy stumbled along until war and military spending stamped "paid" to the economic crisis.

Today's ruling elites, political parties, and media pundits have no new approaches, no new programs to face the increasingly ominous economic challenges. They combine an embarrassing smugness with a near-religious devotion to neo-liberal dogma. Even those advocating a tentative growth model and elements of welfare-state relief are far removed from tackling the severity and the systemic failures of this crisis.

From the austere, fanatical market disciplinarians like Paul Ryan and Angela Merkel to their more humane, flexible, and reformist counterparts like Paul Krugman and Francois Hollande, all share a confidence that private ownership and markets are indispensable to economic development and growth.

All share the belief that the tools are at hand to steer the global economy back to the course it tracked before 2007; they simply differ on the tools. Even the mythically idealized New Deal vision of the state as the helmsman, directing capitalism-with-a-human-face is beyond the imagination of our contemporary leaders.

Facing a November election in the US, the two parties strive to stoke their respective bases with the predictable rhetorical flourishes. The Democrats hope to convince the electorate that the economy is on the road to recovery or, if voters don't believe that lie, that it is Republican intransigence that stands in the way of that recovery. The Republicans, on the other hand, want to spin the idea that Democratic Party reckless spending stands in the way of recovery or, if voters don't believe that lie, that returning to the gold standard will put capitalism back on the rails!

Answering the bell for the left is the usual motley crew that raise the specter of fascism and the banner of the lesser-of-

two-evils (they try to have it both ways!). Never mind the lack of a Communist threat to spur fascism; never mind that last season's lesser evil transforms into this season's greater evil. As the center shifts inexorably to the right over decades of elections, the institutional left of think tanks, journals, the trade union bureaucracy, and NGOs knows only one answer: vote Democratic!

In France, citizens are living a déjà vu moment: Francois Hollande is Barack Obama with a French accent—promising change and already sowing disappointment. His economic advisers remind the populace of the deficit crisis at every turn, an omen of even more disappointment ahead.

Only in Greece is there a Communist “threat” and only in Greece is there really the threat of fascism embodied in the Golden Dawn movement. Greek Communists—the KKE—present a revolutionary program for Greece's revival, a program that is advocated by a mass party and is unique to Europe. ABC—the Anything But Communism left—is represented in Greece by SYRIZA, a popular alternative that offers the false option of militant posturing without any revolutionary sacrifice.

The current leadership of Peoples' China seems determined to dismantle some of the socialist safeguards that protected the country from the sharp downturn of 2008-2009. On one hand, they want to invite greater risk by reducing the state's semi-monopoly of the banking sector. On the other, they rely heavily upon credit market manipulation rather than careful, balanced planning to stimulate growth.

As a result, there is disorder in investment initiatives: unfinished projects, waste, duplication, etc. While there has been a decided shift towards domestic consumption growth, the rate of growth has slowed noticeably since the first of the year. The recent high-profile symbolic blow to the Party's left leaves many concerns about the PRC's direction and ability to jump-start the global economy.

In short, the ruling elites throughout the world offer only stale and proven ineffectual policy solutions. They remain locked in the economic thinking that dominated the pre-crisis era. Neither the audacity nor the spirit of experimentation that characterized the Roosevelt administration has yet emerged, a level of response that might at least take the edge off the human cost of economic decline.

Even the threat of falling off a “fiscal cliff,” as the Federal Reserve chairman and the independent Congressional Budget Office warn, brings no new ideas or re-thinking.

Some see this as irrational behavior on the part of rulers, but they fail to understand that the last few years have been

quite kind to elites: profits rebounded dramatically after 2008-2009. And elites have every reason to believe, despite the current alarm over earnings, that they will continue to patch up their profit-making machinery and move forward thanks to the willingness on the part of the crisis victims to continue sacrificing.

Perhaps they are right, but the masses face a slow death from a thousand cuts; the vast majority will, as they have over the past four years, pay an enormous price to guarantee the health and profitability of monopoly capitalism.

The crisis continues unabated. The only question remaining is who will pay for the destruction in its wake. Ruling elites demand that working people—the masses—pay to restore capitalism to a healthy, profit-turning state. They need no new ideas or new programs to secure that result.

But for the rest of us, we desperately need ideas that will allow us to escape the crisis and the tyranny of monopoly capital.

Socialism would answer that call.

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