BRENNER SOLIDARITY CRISIS TALK VERSION 2 7 APRIL 2020

Starting points: two basic trends, taken together define the period.

Moreover, evolution of the second in relation to the first brought economy to corona virus crisis

**PART ONE: FUNDAMENTAL STRUCTURE: TWO-PRONGED EVOLUTION AND ITS CONTRADICTIONS**

**BASIC TREND I: LONG DOWNTURN: declining economic dynamism on a world scale, from the early 1970s to today**

Worsening economic performance, decade by decade, business cycle by business cycle in terms of every major econ indicator: output/gdp, investment, employment, productivity, personal consumption

Root of this is in pattern of evolution of world economy

Entry into world economy of one after another later developing manufacturing powerhouse on basis of exports on basis of emulating technology of leader and combining with lower costs

Result: overcapacity making for fall and failure to recover of the rate of profit, 1965-early 1980s and general discouragement of new investment

Envelopes the world, including its progenitors: Germany, Japan, EANICs, SEAsian tigers, China

Result: declining rate of profit at root of decline

--Declining investment, declining employment making for declining consumption demand, slowdown in government demand

--Slowdown in productivity growth everywhere

Starts with US but ultimately engulfs even China

**Key expression of trend: fall and failure to recover of rate of profit, 1965-early 1980s leading to deceleration of investment, slowdown of aggregate demand growth, and slowdown of productivity growth**

Worsening slowdown needs to be emphasized: period between Great Recession and CORONAVIRUS CRISIS by far worst in every respect

In addition: worsening crises: early 1980s, early 1990s, early 2000s, then big ones financial crisis of 2007-2009////Ultimately: Coronavirus today

**CAPITALISM WITHOUT CAPITAL ACCUMULATION**

**BASIC TREND II: From around 1980: Installation of new set of institutional arrangements at core of the political economy which enable politically driven upward redistribution of not just income but wealth**

Shift of the basic focus of the central political-economic arrangements at core of the society— the state above all, but also corporations themselves—from focus on nurturing growth of pie to focus on leaving pie to stagnate and enabling predation.

Facing an economic pie growing ever more slowly in spite of their best efforts, sections of the political-economic establishment cut the cord and increasingly ceased to concern themselves with enhancing economic growth and capital accumulation on part of corporations

They focussed instead on ways to appropriate an ever greater share of income and wealth by political means

So: rip off not just of the economic flow so to speak—ie newly produced national income—but the economic stock so to speak—already existent wealth of the population

Innovation was in appropriation/upward redistribution…not production.

So: top corporate managers, especially from finance, and numbers of the very rich have allied with top politicians of both parties to impose a regime of politically driven upward redistribution of income and wealth for the benefit the top one per cent and above.

Politicians provide privileges, special access, to economic dominant forces that give, more or less directly politically, part of income and wealth

Coporations/corporate managers and the rich, especially in financial sector, providing funding for both political parties, and, especially, payoffs for top politicians/political.

Decisive element: “donor class” disciplining both parties, especially the top leadership. Key moment along the way Citizens United

**Key expression of emerging order: from 1980: sudden and dramatic trend to shift income distribution to top 1% and above**

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**TRANSITION TO THE NEW ORDER:** **1970s and 1980s**

Failure of standard remedies to overcome worsening decline and deepening crises

So: political economic establishment: corporation and state managers: impose standard remedies to deal with the fall in rate of profit and ensuing slowdown

Two aspects:

Austerity: to cut costs and raise rate of profit

Keynesian deficit spending: to deal with what was thought to be cyclical disruption driven by short term problems of distribution
But: what is behind deepening decline is long terms contradiction of global process of accumulation and growth leading to fall in rate of profit

So: upshot is declining effectiveness of deficit spending, inflation, further slowdown of growth, deepening cyclical conflict

So: Meaning of austerity and debt creation are transformed from instruments to drive growth to instruments to aid appropriation

**PART TWO: MATURATION OF THE CRISIS: RESULS FROM THE INCREASING RECONFIGURATION OF CENTRAL POLITICAL-ECONOMIC INSTITUTIONS FOR PREDATION IN RELATIONSHIP TO**

**COMPLETE STAGNATION IN BUSINESS CYCLE/DECADE FROM GREAT RECESSION TO TODAY**

**CULMINATION OF DECLINE, FROM GREAT RECESSION OF 2007-2009 TO CORONA VIRUS DEPRESSION**

Bloomberg described the period since the financial markets were bailed out by Bush and Obama, i.e the period since the Great Recession of 2007-2009 until the present **“an extraordinary stretch of growth,” and declared that “the end of the bull market seemed to come out of nowhere.”.**

In reality: stretch from Great Recession to Coronavirus Crisis was by far the worst of the postwar period, in every respect

Growth decelerating to point of stagnation/step/decline in half year or so before coronavirust hit, in March 2020

So: Corona virus triggers, accelerates, exacerbates, but does not cause the economic crisis that was on its way in any case

*From Loose labor market to growth of employment that was the slowest of postwar period*.

“lowest official unemployment rate in 50 years”

But if we take into account the people who have fallen out of the work force and so who are not included in the official employment rate, we have an actual unemployment rate that is still worse than it was on the eve of the great recession in 2007—i.e. total not employed as a per centage of work-age population

*Productivity Growth: The Myth of Mass Technological Unemployment*

Economists are right to focus on this measure, because it gives

surplus potentially available for consumption or leisure.

Endless talk about high-tech driven technological revolution or rapid automation is wiping out job.

But productivity growth, in the private economy in general and manufacturing in particular, in the period since the Great Recession, has been by far the worst of the postwar period…so no big labor saving trend made by more new tech/new machinery per worker

*The growth of capital investment has been the slowest of the postwar period*

Should not be surprising that productivity--output per worker or hour--has grown so slowly.

Equipping workers with more and better capital/machinery/skills is the way to increase the productiveness of workers.

Yet investment in new plant, equipment, and software has proceeded, during last decade or business cycle, at the slowest pace of the post war era.

*From Slow Growth of Demand for Labor and Loose Labor Market to Fallen Wages and Terrible Job*

The stagnating economy, expanding at a snail’s pace, has brought stagnating demand for labor.

So naturally we have had—as everyone knows-- a long period of falling, now flat real wages, which have been the compensation what every knows are plus lousy jobs.

*The weekly real wage is still not back to level of 1972*

To cope with this, people have had to take two or three jobs, and insecure jobs at that, just to survive.

*Even profits growth have been the worst since world war II.*

See spectacular illusion from runaway stock market

But: corporate profits have stagnated through much of last decade

**PARALLEL TO DECLINE OF ECONOMY INTO NO GROWTH:**

**RE-FOCUS OF INSTITUTIONS OF POLITIAL ECONOMY ON PREDATION/RIPOFF**

*Transformation of state finance*

--tax cuts: central element in neo classical Keynesian deficit spendings in postwar period

Now: priority of every administration from Reagan on: tax cuts leading to deficits ever more straightforwardly gifts, despite cover of “supply side” stimulating investment

See culmination with Trump

--tax increases: to fund “public goods”, as with infrastructure: highways/bridges, public education, health care: to enable capitalist production to work

See East Asia today

Now: pressure to cut back and eliminate all this as a means to reduce taxation, as little concern for capital accumulation, growth:

*--Decline of financial services/ “Turn to finance*”

Great period for finance, in normal sense of financial services, above all in providing loans to corporations, as well as households, was the postwar boom, 1940s through the early 1970s

Financial services expand and profit to fill needs of great industrial corporations, especially in

Huge demand for loans in real economy, supplied by the banks, and huge profits

Slowdown of investment has brought slowdown in demand for financial services and decline in borrowing

So: spectacular fall of returns to lending,

Perhaps most emblematic of weakness of economy

See rise of lending at below zero interest rates reflects declining demand for loans

**That number is about 17 trillion loans or maybe 30% of world debt at below zero**

Why would anyone lend at less than zero? Only because they expected that things would get worse, that returns would go even further into negative territory

There could hardly be a more direct statistic indicating the state of things on the eve of the crash, that the economy was grinding to a half.

So: weakness of the economy makes deep decline of demand for new plant equipment, thus demand for loans to finance it

Thus super low interest rates

But, paradoxically: those super low interest rates themselves provide and incentive for risky borrowing that would not otherwise have taken place

--firms contract risky loans cheap, more and more corporations in risky territory

--More and more firms that should have gone out of business stay in business through ultra cheap borrowing: Zombie firms

Open the way for huge expansion in lending to asset markets/speculation

*Especially: bubbling up asset markets*

Low interest rates have paved way speculation in asset markets

Fed: using low interest rates to stimulate the economy

Doesn’t work well, but not much choice

Indeed, investors know that Fed will not raise its rate

So: interest rates kept down by the Fed and drive a huge stock market bubble

the great generator of wealth for the one per cent

So: fed has essentially ceased to credibly raise rates

Saw this happen in last part of 2018 when Fed tries to raise rates

If it does stock market will start to crash and economy will tank

So: from end of Great Recession, cataclysmic rise of stock market gone up by about 21/2-3 times

Huge generation of wealth in hands of rich

Totally unmoored from actual profit making

Ratio of stock prices to earnings as measured by Robert Shiller

Highest at any point except 1929 on edge of crash great depression and 2000 on the edge of the high tech dot com crash

*Corporations Parasitic on Themselves*

Corporations doing little investing

Flip side: freeing up of profits/retained earnings:

to be spent on stock buybacks and beyond that dividends

That is: investing rather than on expanding the corporation’s capacity for production goes directly to enabling managers and stockholders to increase their wealth

Beyond that: borrowing by nonfinancial corporations not for purpose of buying plant and equipment, but to buy back stocks and allow more dividends

This has played a huge role in driving up stocks and enriching shareholders

So: corporations transformed into instrument of appropriation, rather than production

So Gigantic growth of corporate debt to allow ever greater plunder

In last several years more spending than corporations actually have…plundering themselves

Leaving themselves with ever greater debt, unprepared if anything should happen to slow the economy and slow corporate incomes

**CRASH/CORPORATE DEBT CRISIS/BAILOUT**