

The global economy in a planet in crisis: logistical disruptions, inflation, financial febrility - Growing inequalities, popular mobilizations and demands

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This text was one of three presented to open a discussion on the international situation at the February 2022 International Committee meeting and which we agreed will together form the basis for our future elaboration. [1]

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1. Persistence of a health crisis with uneven effects

- The general crisis of capitalism is also a crisis of the metabolism of human society and the earth system. It manifests itself as a chain of crises: the apparent exit from one crisis quickly leads us into a new one.
- COVID is far from over, and the current stage can be characterized as a global health crisis. Disease seems to be taking on an endemic character, tending to permanently increase the mortality of the most vulnerable populations. [2] This confirms analyses that link the emergence of new diseases to the conditions of human life on a finite planet and to degraded biodiversity.
- Vaccination rates remain highly uneven, with an average of more than two-thirds in developed countries, but less than 10% in the “least developed countries”. This highlights the irrationality of the pharmaceutical system, which is driven by the interests of big pharma and not by global public health criteria. The emergence of new variants is also the result of this unequal vaccination. This vaccination gap also implies inequalities in growth and employment recovery, social inequalities and labour productivity gaps. [3]

- To this must be added the destruction by the global neoliberal offensive in recent decades of national public health care systems, and in particular hospitals, both in the main capitalist countries and in the global South. This qualitative deterioration has greatly amplified the health and social effects of the coronavirus epidemic. The human toll of the Covid pandemic will only really be known once comparisons of mortality in different parts of the world before, during and after the pandemic period have been compiled.

2. Explosion of inequalities

- The pandemic period has been one of big profits for some fortunes. Extraordinary profits for the largest companies, which in part contributed to an extraordinary rise in stock market values. [4] The S&P 500 rose by 27% in 2021, with 11 companies doubling their stock market value.

- According to Oxfam, "the fortunes of billionaires have increased more in the 19 months of the pandemic than in the last decade". "While the fortunes of the world's 10 richest billionaires doubled during the pandemic, 160 million people fell into poverty. This explosion of inequality is happening all over the world. Women, racialized people, and people in developing countries are most affected by the violence of inequality.

- The pandemic has also pushed back the gender parity goal to 135 years if we continue at the current pace from 99 years previously. Today, 252 men share more wealth than the one billion girls and women living in Africa, Latin America and the Caribbean combined. [5]

- The precarity reinforced by the partial closure of work centres, the stoppage of economic activity, the partial or total con gestion of health systems, has affected the most vulnerable populations, workers, women and racialized populations in priority. Thus African populations have been overwhelmed by the paralysis of the productive sectors, tourism and the very large informal sector that surrounds them, they have also been strangled by endless debt, increasingly imposed on private creditors - not concerned by the suspensions of debt payments occasionally staged by international bodies - and are increasingly targeted by the closure of European borders to human movement.

- The pandemic and the climate and environmental crisis have thus massively increased inequalities and the perception and actual experience of these inequalities. The inadequacy, through underfunding and undemocratic allocation, of society's resources in terms of care for its population has been strongly highlighted. By care we mean all the social resources: health, education, housing, leisure and culture, employment and income, political rights, which enable people to enjoy a decent standard of living.

- This perception of inequality provoked struggles and protests, even at times during the pandemic when restrictions on social activity were most severe. Although some limited successes were achieved, these struggles did not turn into a general challenge to the existing society, despite some mass movements for democracy.

- In the meantime, the context is still one of an ongoing migration crisis, with nearly 82 million people forcibly displaced by 2021 (such as the effects of the Taliban's victory in Afghanistan), not to mention climate refugees, estimated at 20 million per year. What is particularly in crisis are the policies for receiving migrants, whether in Europe, North America or Australia, which abandon all basic humanitarian principles. It is not in fact possible to differentiate between those seeking asylum for political reasons, for socio-economic reasons or because of climate disasters. The travel restrictions introduced because of the pandemic, and the introduction of the Covid pass in developed countries, are becoming new barriers to the free movement of people.

3. An economic recovery full of problems and contradictions

- Nevertheless, in the last months of 2021, some global economic recovery is evident. However, the IMF's latest economic forecast, published on 25 January 2022, revises the growth forecast for 2022 downwards again, from the 4.9% announced in October 2021 to 4.4%. [6] In the current context, the recovery is characterized by many contradictions, differentiations and problems.
- Inflation is on the rise and in ten-year highs for 2021, as measured by the consumer price index, mainly in advanced countries (+3.6%) but also in emerging economies (+6.8%). The price rise is impressive in the energy sector, with market prices for gas (+130% over 12 months) and coal reaching historic highs. Oil and electricity follow, with levels returning to those of 2014 or even 2008. The price increase is strongly reflected in food (+30 to 40%): cereals, oils, milk, meat and industrial sectors.
- What is also notable in the current period is the scarcity of certain manufactured products due to the lack of essential intermediate products. Microprocessors are a well-known example, which is holding back production lines such as the automotive industry. Many intermediate products are lacking in industry such as plastics, wood and paper, etc.
- In these conditions of highly problematic economic recovery, the political question must be asked - who will pay the price of inflation and instability: the workers and the masses of the people, or the big companies that have made extraordinary profits in this pandemic period. Today, the answer seems clear: the ruling classes are putting the full weight of global instability on workers, especially women workers, and on the working classes as a whole.

4. Financial policies

- Never in the history of capitalism over the past two centuries have large financial firms enjoyed such long-term support from central banks and governments, particularly in North America, Western Europe and Japan. This unstinting support began in Japan in the mid-1990s as a response to the financial and housing crisis and has been widespread in the Western hemisphere since 2008. Since then, the Federal Reserve, soon followed by the Bank of England and then the European Central Bank, have adopted "Quantitative Easing" policies providing a permanent flow of liquidity to banks, in particular, and to financial markets, in general.
- The massive and permanent injection of liquidity combined with a lax policy on financial regulation has been aimed at and served to avoid the massive losses that would logically have been incurred by large shareholders if another policy had been applied. The consequences include the following:
 1. There was no destruction of capital in the industrial, financial or commercial sector. Unlike past crises, there have been no major bankruptcies, with the exception of Lehman Brothers in September 2008. In some cases, there have been nationalizations of banks with bail-outs of major shareholders and a willingness to privatize as soon as these financial companies are cleaned up at the expense of the Treasury. During periodic crises, normally the destruction of constant capital which is the consequence of company closures, allows capitalism to raise the rate of profit at the time of economic recovery because there is a modification of the ratio between variable and constant capital, or the ratio between living and dead capital. Another consequence of quantitative easing policies is the absence of destruction of fictitious capital, the volume of which has continued to increase very strongly.

2. On the other hand, the massive inflow of financial resources to large financial companies and other sectors has not been transformed into investment in the productive sector, mainly because the rate of profit is considered by Capital to be insufficient. The overwhelming majority of the financial means put at the disposal of big private Capital by the governments and the central banks went to stock market capitalizations, to the real estate market and to commodities, including agricultural products, because the short and medium term profitability is much higher than what an investment in the productive sector would produce. But it is clear that this profitability of the financial sector is difficult to sustain in the long term because it is based on gains from speculation and the development of fictitious capital bubbles.

- The objective conditions for the outbreak of a new major financial crisis are present. This could happen at any time, especially as central banks such as those of the United States and England begin to gradually raise interest rates and reduce their purchases of financial assets, i.e. fictitious capital. As long as central banks massively buy fictitious capital, it is to a large extent secure because it is on the balance sheet of these central banks, but as soon as central banks reduce their purchases, the big capitalists who buy financial securities will start to better check the quality of these securities and the risks of loss that this may imply.

- The World Bank in January 2022 warned that “developing” countries will fall further behind the rich world as they struggle to recover from the economic impact of the pandemic due to the spread of coronavirus variants and their limited ability to implement stimulus measures. In a new economic forecast released on Tuesday 11 January 2022, the World Bank said it expects the global economy to experience a two-speed recovery in 2022, fuelling rising inequality. While the World Bank expects output in rich countries to return to pre-pandemic levels by 2023, output in “developing” countries will remain on average 4% below pre-pandemic levels. According to the Bank, the weak recovery from the impact of the coronavirus will be particularly severe in the most vulnerable countries; by next year, output in “fragile and conflict-affected countries and small island states will still be 7.5-8.5%” below their pre-pandemic levels.

- In the economies of the most industrialized countries, two years after the start of the pandemic, some major economies have not yet recovered the level of GDP they had reached at the end of 2019, such as Spain, Italy and Germany. Germany and Austria, moreover, experienced a drop in production and GDP in the fourth quarter of 2021. So the claims of the mainstream media and governments about the supposed resumption of growth are grossly exaggerated and in some cases unfounded. [7]

According to the Financial Times, the poorest countries face an \$11 billion increase in debt repayments in 2022. [8] The World Bank warns of “disorderly defaults”.

- A group of 74 low-income countries will have to repay about \$35 billion to official bilateral and private sector lenders in 2022, with Sri Lanka considered one of the most vulnerable. The world's poorest countries face a \$10.9 billion increase in debt repayments this year after many rejected international aid and turned to financial markets to fund their response to the coronavirus pandemic. According to the World Bank, the group of 73 low-income countries will have to repay about \$35 billion to official bilateral and private lenders in 2022, up 45% from 2020.

- Financial policy since the 2007-9 crisis has consisted of very low interest rates that have kept a large number of companies afloat despite their lack of profits, only because of the possibility of cheap refinancing. During the COVID-19 crisis, massive injections of liquidity were intended for the purchase of financial securities from banks. This large amount of liquidity was often used for speculation, especially in commodity and food stocks, which naturally contributed to inflation. However, there are factors more related to the material economy, some cyclical related to the COVID crisis, others more to the general context of the period.

- We have to be careful with explanations that consist in explaining most or all of the rise by a shortage of raw materials, by supply problems, even if this plays a role. Supply problems are also partly the result of large investors who prefer to stockpile rather than deliver in order to push prices up. However, there are also factors more related to the material economy, some of them cyclical, linked to the COVID crisis, others more to the general context of the period.

5. Demand recovery and supply chain disruptions.

- The “optimistic” approach is that the problems of growth and rising prices are simply due to supply-demand mismatches, caused by the sudden reactivation after the lockdowns and health restrictions. Rising prices would cause the market to adjust and everything would be back to normal by the second half of 2022. However, it seems that the disturbances have deeper, less cyclical causes. Firstly, because the disruptions linked to the pandemic, itself caused by structural factors, are not yet behind us.

- The current situation shows the complexity and vulnerability of the international logistics chain, which is highly integrated worldwide, oriented towards “just-in-time” and dependent on long-distance transport, the prices and delays of which have skyrocketed. We have already seen this with the Suez Canal crisis and the situation in China’s locked-down ports, a situation that is still being repeated recently. Container ships are in disarray, stuck at some ports overloaded, missing elsewhere.

As a result of the shortages created, some subcontractors have acquired, perhaps temporarily, a new bargaining power over the prices of intermediate products. It is to be expected that the many factors of global instability will increasingly reproduce situations of disorganization of logistic chains. We must oppose all this with a project for society that involves the relocation of production and reduces dependence on transport.

- In this context, it is essential to raise demands that focus on ensuring people’s access to essential consumer goods, including through the public and democratic management of energy and pharmaceutical companies, and by imposing controls on prices and wage increases, by reducing working hours to give work to all the unemployed...

6. Deeper trends in the productive system.

- There is also a more structural shift in demand between sectors, due to structural shortages of key raw materials such as fossil fuels, and “green transitions”: investment in solar and wind energy, electric batteries, etc., is leading to an increase in demand for certain raw materials that are not readily available (rare minerals), while pressure on fossil fuels is weighing on other industrial sectors. This rise in prices already means an intensification of extractivist pressure on the territories where these materials are potentially available.

- The integration of the different production processes links the evolution of prices in the different sectors. Energy prices affect all productive sectors. Also, there is now competition for land between the energy industry (for use as biofuels or the installation of wind or solar power plants) and food.

- Inflationary trends are structural and date back to the beginning of the century, particularly in relation to raw materials, demonstrating the limits and difficulties that production growth is finding on a global scale today. In the food sector, crop failures due to climatic disturbances are becoming

increasingly frequent. Climatic disasters are generally a permanent factor of crisis and instability. [9]

- Part of the funds disbursed by states are supposed to co-finance transitions to renewable energy. However, the projections for a green transition are based on carbon capture technologies that do not exist at the moment. Due to the lack of foresight for a real transformation of the production and transport structure towards truly sustainable models, the so-called green transition seems to be an excuse for a capitalist revival based on speculation and privatization of the commons. It therefore becomes central to denounce the false solution that assumes the massive deployment of renewable energies if this does not go hand in hand with a real reduction in the extraction of fossil fuels and a profound transformation of production, transport and consumption systems.

7. Popular mobilizations and demands

Important struggles have been waged over the past year against the policies of the ruling classes in various aspects. Among these, the most emblematic:

- In India, the huge peasant movement has held out over an extraordinary period of time, and has succeeded in making the increasingly autocratic Modi government bend on its plan to liberalise agriculture completely.
- In the US, precarious workers, especially young people in the service sector, have continued to demand higher hourly wages and better workplace protections, while in the more formal sectors new struggles are developing. There has been an unprecedented wave of employee resignations as a way of challenging working conditions and incomes. This combativeness is a source of hope as the Biden dynamic fades as fast as the Trump dynamic is being reconstituted.
- In Chile, the Pinochetist right has set out to break the momentum of the October 2019 uprising against the price of public services and the old political world, which has been reinvested in the constituent process and the search for a new project of society that is qualitatively more democratic, feminist and egalitarian. But in the streets and in the ballot box, the Chilean people have succeeded in repelling these ultra-reactionary assaults.
- In Sudan, the big powers and international agencies had succeeded in imposing the extension of neoliberal, re-debt and commodity-raising policies on the flawed civilian-military government that emerged from the stalled 2019 revolution. This facilitated the coup that allowed the military to savagely take over all power. But five months on, the Sudanese people are still occupying the streets, the uprising is not surrendering, it is self-organizing and the junta is in a bit of a bind.
- In Burma, in the aftermath of the military putsch of 1 February 2021, the junta was faced with an exceptionally massive civil disobedience movement, causing a general work stoppage throughout the country. Faced with a particularly bloody repression, the resistance also took military forms, including in the central plain, in conjunction with ethnic rebellions in the mountainous periphery. Although the army does not hesitate to use the air force against the population and is supported by the governments of neighbouring countries, it has not managed to consolidate its power and has suffered major diplomatic setbacks, with the opposition asserting its legitimacy and receiving the support of a multiform solidarity movement.

More globally, if the feminist movements maintain a high level of combativeness and visibility, on the other hand, the social and democratic movements (and even the environmental movement, despite a significant mobilization at the COP 26 in Glasgow) have been largely stifled for the past two years by

the combination of a growing health crisis and the determination of the political and economic powers to crush any contestation. This has particularly affected the democratic dynamics in Burma, Hong Kong, the Algerian uprising and the popular movements in the Maghreb and the Middle East, the uprising in Kazakhstan and the mobilizations in Russia and Belarus, which were more or less savagely repressed. And it has also affected, at another level, social movements in Western and Central Europe.

In this context of significant loss of legitimacy of the dominant layers, which they compensate by their repressive brutality, popular movements are constantly being reborn and articulated. It is essential for us to raise demands that combine the social, the ecological and the political. Faced with the social dimensions of the crisis, we must emphasize:

- guaranteeing the population's access to essential consumer goods, towards free health, education and research systems, in particular by putting them under public and democratic management, expropriation and socialization of energy, pharmaceutical, water management and above all financial companies;
- imposing price controls on inflation, raising wages and replacement incomes, radical tax reforms that tackle profits and reduce inequality;
- programmes for the construction, rehabilitation and requisition of housing under public management and with ecological planning, allowing access to decent housing at affordable prices, including for the poorest; measures to combat property speculation and for the return to the public sector of retirement homes;
- massive cuts in working hours, lowering of the retirement age, a ban on redundancies and the opening up of company books bringing them under democratic control. We want to give work to all the unemployed, to give everyone access to free time, leisure and democratic public life, and to reorient production towards what is socially useful and ecologically sustainable. Our lives are worth more than their profits!

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P.S.

- Fourth International:
<https://fourth.international/en/430>

Footnotes

[1] see [Contribution to the development of an ecosocialist programme in the framework of the necessary reduction of global material production](#) and [Elements on the world geostrategical situation](#)

[2] Nature "The coronavirus is here to stay — here's what that means":

<https://www.nature.com/articles/d41586-021-00396-2>

[3] For a development of this analysis, see Eric Toussaint:

<https://www.cadtm.org/The-coronavirus-pandemic-has-widened-the-gap-between-the-Global-North-and-the>

[4] Financial Times, 31 December 2021 “Global stocks deliver third year of double-digit gains <https://www.ft.com/content/e510d763-3864-421c-ba32-8653152c01c6>: “There are shortages of every good imaginable, runaway inflation, political strife, race and class wars but there are also some of the best corporate earnings ever,” said Jim Paulsen, chief investment strategist at Leuthold Group.

[5] “Inequality Kills: The unparalleled action needed to combat unprecedented inequality in the wake of COVID-19”:

<https://policy-practice.oxfam.org/resources/inequality-kills-the-unparalleled-action-needed-to-combat-unprecedented-inequal-621341/>

[6] IMF World Economic Outlook January 2022 “Rising Caseloads, A Disrupted Recovery, and Higher Inflation”

<https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022>

[7] Financial Times, 31 January 2022, “Eurozone regains pre-crisis GDP level despite winter slowdown:

<https://www.ft.com/content/294c604e-05af-4b4c-b799-287a54f844e4>

[8] Financial Times, 17 January 2022 “Poorest countries face \$11bn surge in debt repayments:

<https://www.ft.com/content/4b5f4b54-2f80-4bda-9df7-9e74a3c8a66a>

[9] For an elaboration of these last points, see François Chesnais “A new regime of low growth is emerging where the pressure on labour and nature will increase”:

<https://fourth.international/en/403>