

ICMLPO – on the International Situation

The workers and the peoples are bearing the brunt of the worst crisis in decades

The world economy is trapped in a new capitalist crisis, which occurs within the framework of the general crisis that affects the existing system. This crisis is more acute than that of the years 2008-2009, which was more serious than that of the 1970s. It is a constant in the development of capitalism to go from one failure to another, in the midst of moments of crisis in which the main ones affected are the workers and peoples, because the wealth that they produce is always used by one or another sector of the owners of capital.

In these crises all the contradictions of the bourgeois economy are manifested in a concentrated and violent way, the basis for their cyclical appearance is in the social character of production and the private, capitalist mode of appropriation of the products of the labour of the working class. In the present conditions of monopoly capitalism, because of the accelerated development of productive forces due to the intensified exploitation of surplus value to extract the highest profit and the competition ongoing alongside the monopoly, capitalist production has a tendency to develop rapidly and infinitely. However, the markets do not present a development which accords with this; they are limited and the rate at which the markets grow do not reach a level to meet the needs of the infinitely developing production. The finitude of the markets, as well as being related to the consumption of the capitalists which are each other's markets, since the luxury consumption of capitalists can be regarded as negligible in terms of magnitude, is mainly determined by the level of the consumption ability of the working class (and other labourers) – a significant section of whose labour power is seized without recompense – which stems from its position as the final and actual consumers of the produced products that can only be actualised by being consumed. When this discord between capitalist production and markets, the impasses caused by any reason in the processes of change necessary for production to take place through consumption go over a level where they cannot be “resolved” through market fluctuations or when they can no longer be deferred by being spread over time, the crisis erupts.

For this reason, we can assert with confidence that the crisis of capitalism, in the final analysis, is caused by the following conflict: The insatiable thirst for wealth of the owners of capital leads to increased production and, with it, to the search for a greater mass of surplus value, which collides with the limited power of consumption of the workers, with which, the tendency to the unlimited development of social production collides with the limit of the consumption capacity of society. “The true limit of capitalist production is capital itself, it is the fact that, in it, capital and its own valorisation are what constitutes the starting point and the goal, the motive and the end of production; the fact that here production is only production for capital and not the other way around, the means of production are simple means to expand more and more the structure of the life process of the society of producers”¹, says Karl Marx.

Due to the incidence of the Covid 19 pandemic, which acted as an external factor of global incidence, the crisis has occurred simultaneously in all countries and practically in all areas of the economy. The losses caused are reaching millions of dollars; there is an enormous destruction of productive forces as millions of jobs have been lost. The efforts made by the international bourgeoisie to avoid a more serious fall in the economy and to take the road to recovery are leading to the further impoverishment of the working masses, of millions of men and women who are facing unemployment and declining wages. They are also planting roots for a future fall in the world economy.

Capitalist crisis and the pandemic

The magnitude and extension of the crisis has been intensified by the occurrence of the Covid-19 pandemic, which forced the adoption of blockade measures, that is, the closure of companies, the paralysis of international trade and social confinement.

Covid 19 was not the cause of the crisis, it acted as an aggravating factor of a phenomenon that was incubating. The world was already in a process of decreasing economic growth; some countries even stagnated, mainly in Europe. According to the World Bank, in its World Economic Outlook report, in 2018 the world economy had a growth of 3.0% of GDP, in 2019 it decreased to 2.4% and it projected growth of 2.5% for 2020. The biggest problems were in the main imperialist countries (except China), which were expected to have an average growth of just 1.4%, while the so-called emerging economies, in East Asia, the Pacific and South Asia, would have growth rates above the world average, 4.1%, 5.7 % and 5.5%, respectively. The International Monetary Fund was more optimistic, as it forecast world growth of 3.3% for this year. However, this forecast was questioned by a series of evidences such as the negative effect of the US-China trade war and the worsening of inter-imperialist contradictions, the worsening of relations between the US and its partners, the deepening of discontent and the struggle of workers and peoples in various regions of the planet.

The official results of the behaviour of the economy during the first quarter of this year confirmed the seriousness of the problems: In the US it fell 4.8%, in Germany 2.2%, France 5.8%, Italy 4.7%, Spain 5.2%, China 6.8% (the first contraction in the last 40 years); Latin America reported a red balance, except for Colombia and Chile. The great fall of China had a quick recovery in the second quarter, 3.2% year-on-year, according to official data, above the forecasts that placed it between 1.5% and 3%, while the whole of the European Union had a collapse of 11.7%.

The analysis of the indices of world industrial production and world commodity trade allows us to confirm that the current crisis was on its way.

The growth rate of total world industrial production, which was 3.6% in 2017, decreased to 3.1% in 2018 and 0.8% in 2019. In the last two quarters of 2019 the growth rates, compared to previous quarters, are -0.2%, 0.3%. With the impact of the pandemic, especially in China, in the first quarter of this year there was a sharp fall, -4.2%, and in April and May, in comparison with the previous months, the growth was -8.5% and 0.8% respectively.

The volume of world trade began its contraction in 2019, when the pandemic was not yet present and with it its contraction was greater. Its growth rate, which was 4.9% in 2017, decreased to 3.4% in 2018 and -0.4% in 2019 (negative growth, absolute contraction). The biggest problems began in the final two quarters of 2019, in the first quarter of this year the growth was -2.7%, and in April and May, compared to the previous month, these rates were -12.2% and -1.1% respectively.

China does not escape this phenomenon, but its behaviour is different. Its fall is small between 2017 and 2019, going from 6.6% to 5.7%, but it suffers a sharp fall in the first quarter of this year, -12%, and in March a month-to-month growth of 16% is observed, in April 3.9% and in May 0.6%. The highest levels of decline are found in Latin America: -0.7%, -2.2%, -5.0% in the aforementioned years, and in April and May of this year -18.0% and 2.2% (in relation to the previous months) respectively.

Since the previous year there had been a warning that a debt crisis could be looming. The ratio of world debt to GDP reached its historical maximum of 322%, equivalent to

\$253 billion billion dollars, a phenomenon that encompasses both the private and state sectors. Since the 2007-2008 crisis, the greatest growth in debt occurred in the non-bank business sector, which, due to the slowdown in growth in the economy, found it more difficult to repay loans. According to an OECD report, at the end of December of 2019, the global amount of outstanding debt from non-financial companies reached a record high of \$13.5 trillion, which was double that of December 2008 in real terms.²

In 2019, the corporate bond stock compared with those existing in 2008 had doubled. The ranking of the ten countries with the highest nominal corporate debt is led by the U.S. and China, far above the rest. In the U.S., the debt reached 75% of the total GDP. In China, it reached 155%, in Japan it represents 101.6%, in France 154.1%, in Germany it is 58.9%, in the United Kingdom it has reached 79.1% of GDP. In general, the countries with the highest corporate debt are the largest economies on the planet.³ One should note in this matter the "bad quality of the debt". For example, in the U.S., 75% of the debt is considered to be of this category, and the percentage could be higher because the companies that rate it have interests and agreements with the companies that are rated.

With the bailout measures and loans implemented in these months to face the crisis, as well as the investments made to face health problems and social policies, the issue of public debt has taken on greater dimensions, reaching its highest level since the Second World War, for over 100% of GDP⁴. Therefore, the phenomenon of indebtedness – corporate and public – puts the bursting of this bubble at risk in a short time, with worldwide implications, since the international monopolies are immersed in this situation.

The fear of the coming of the pandemic was expressed in different sectors: in the markets, the prices of shares fell abruptly from over-elevated levels; in credit markets, the differentials shot up in risky sectors such as high-yield bonds, leveraged loans, and the private debt. Then came the fall in oil prices on the international market due to the weakening of world demand and the struggle of interests among the main oil producers, such as the OPEC member countries, Saudi Arabia, Russia, and the United States. It later began to rise again due to the increasing energy need of the capitalist wheel that began to turn once again as the measures for the pandemic were lifted and the US' shale gas stocks were exhausted. At the base of this phenomenon is the overproduction of oil, which, for the first time, led to the establishment of negative prices for a barrel of oil. Prices in unit values of raw materials also fell, in April by 5.8% in the monthly relation with March, which already had a fall of -2.0%.

The so-called emerging economies suffered a reversal of portfolio investment flows never seen before, both in dollars and as a percentage of GDP, which led to describing this situation as the *perfect storm*. Countries with weaker economies felt strongly the problems of the international market, the drastic fall in remittances and, in general, their condition of dependence on international finance capital.

The paralysis of production and trade on a global scale caused panic in the stock markets, and the forecasts for economic growth went down. In April, there were concerns about the possibility of a large economic contraction of -3% in 2020, worse than that registered during the 2008 crisis, with constant warning that the scenarios could be worse if the pandemic and its effects were prolonged. In June, the World Bank stated that there would be a 5.2% contraction in world GDP in 2020, making it the deepest global recession in eight decades, despite unprecedented economic and social policies and measures.

The IMF projections published on June 24 are somewhat "better" than those of the World Bank, since they speak of a decrease of -4.9% for 2020 and of a growth of 5.4% for 2021, of course if there are no aggravating circumstances in the course of the pandemic. The U.S. and the Euro Zone have the highest rates of decrease (-8.0% and -10% respectively), as well as Latin America and the Caribbean, -9.4%. China went through an important decrease in growth; it dropped from 6.1% in 2019 to the 1.0% expected for this year. It is the only imperialist country to show a positive rate.

The 5.4% growth forecast for 2021 means that, globally, the GDP in the coming year would be about 6½ percentage points lower than the projections published in January 2020, but that the process of total economic recovery will be slow, taking maybe two or three years. The cumulative loss of the world economy is expected to be \$12 million million dollars in the years 2020 and 2021; 10% of that loss will be in Latin America and the Caribbean.

The possibility that the problems may escalate in the coming months and that the crisis may deepen must not be ruled out.

Contradictions and inter-imperialist struggles

In the context of the economic crisis and the global pandemic, inter-monopoly and inter-imperialist contradictions have been present. The spiral of threats, sanctions and accusations of espionage between the United States and China have continued, at times in a high tone and, at others, with an apparent relaxation. It is not a confrontation between democracy and authoritarianism, or between capitalism and socialism as some sectors present it, they are contradictions between the two main imperialist powers, which dispute the expansion and affirmation of their control in the markets and regions of the planet.

The adoption of security measures by the main economic powers to control the contagion have not been distanced from political considerations, and in the investigations on the treatment and vaccines to face the Covid 19 the game of interests has been evidenced of the pharmaceutical monopolies and the imperialist states to which they are owed.

Inter-imperialist disputes are far from the interests of workers and peoples, they cannot line up behind one or another power, under the mistaken assumptions that one or the other "more or less favours" humanity; moreover, the sharpening of the contradictions between the powers also engenders the danger of war.

Response of the international bourgeoisie

The international bourgeoisie has learned from past experiences and, on this occasion, it has adopted a series of measures to avoid a greater economic collapse and avoid the quick transformation of the discontent of the workers and peoples into major protests.

The central banks massively injected liquidity, and governments established bailout policies, through subsidies, credits, and fiscal policies for the benefit of the monopolies and large companies, and to prevent mass bankruptcies. The amount of resources allocated for these purposes is enormous, unprecedented "in the rescue and fiscal stimulus programs, including salary supplements, licenses, loans and subsidies to companies, with an average additional expenditure equivalent to 5-6% of GDP, with a similar amount in addition to loan guarantees and other credit support for banks and companies".⁵

The dramatic situation imposed by the crisis and by the Covid 19 pandemic forced the World Bank and the International Monetary Fund to change their discourse regarding

the economic management of governments and the adoption of emergency measures. They spoke of the need to suspend the payment of the external debt by countries with weak economies and greater difficulties; they proposed the renegotiation of the processes with them, and a few countries "forgave" parts of the debt of the dependent countries. The IMF launched an urgent plan granting freely availability credits of \$20 million million dollars to 96 countries with greater difficulties to access them.

They also raised the question of the "need" to implement reforms *"that allow capital and labour to adjust relatively quickly, speeding up the resolution of disputes, lowering regulatory barriers, and reforming the costly subsidies, the protected monopolies and state-owned enterprises that have slowed the development"*.⁶ In some countries, special laws were passed to "flexibilize" labour relations, to legalize company bankruptcies and mass layoffs, to force the use of vacations, to reduce working hours and wages below the established basic wages, at the same time they established social programs as the creation of economic bonds and food kits for the poorest sectors.

Despite the calls for prevention issued by organizations such as the World Health Organization (WHO) to protect life with isolation measures, the bourgeoisie forced the rapid incorporation of workers into companies in sectors considered non-essential, without, in most of these places, providing adequate biosecurity measures, causing an increase of the contagion, but also of the resistance and the protest from the workers.

The workers and peoples are bearing the brunt of the crisis

The main victims of the capitalist crisis and the Covid 19 pandemic have been, from the beginning, the working classes, the most impoverished sectors of society, mainly the youth. The actions taken by the bourgeoisie and its governments, despite some social policies (such as bonuses), are placing the burden of the capitalist crisis on the working class, the unemployed and the homeless. This is not a new phenomenon; it is a constant, part of the nature and the cycle of capitalist reproduction.

Millions of men and women have lost their jobs, have suffered a reduction in their wages, have had to increase their number of work hours; millions of others, particularly young people, have seen their entry into the labour market closed.

In the private and public sectors, the use of teleworking (working from home) has expanded, causing flexible hours, intensification of labour, in short, intensification of exploitation. Companies reduce their investments, workers cover production expenses that correspond to or are the responsibility of the companies, such as electricity consumption, internet, computers, telephones; the hourly workday is disappearing and its measurement is by objectives. For working women, it has been presented as a way to "reconcile work and family life", hiding the double working day and justifying the adoption of policies to cut social services, such as nurseries, etc.

Thousands of companies have gone bankrupt and closed their doors; to avoid massive bankruptcies, the bourgeoisie adopted a reduction of working hours. According to the International Labour Organization (ILO), the global decrease in hours worked in the first quarter of 2020, compared to the last quarter of 2019, was equivalent to the loss of 130 million full-time jobs. For the second quarter, it calculated that the loss would be equivalent to 305 million full-time jobs.⁷ At the end of the first semester, the ILO itself recognized that this figure amounted to 400 million, and that the most serious losses are occurring in Latin America (18.3%). For the last quarter of this year, under the most favourable scenario, it is estimated that, around the world, about 4.9% of working hours will continue to be lost (140 million full-time jobs). In the most unfavourable case (a

possible second wave of the pandemic), there could be a loss of up to 11.9% of the working hours (equivalent to 340 million full-time jobs).⁸

Women workers constitute the most affected sector due, in particular, to the effects of the crisis in the service sector and because they constitute a large part of those who work in the front line in the battle against the pandemic (especially health and social assistance sectors). Working women are suffering the lengthening of their working hours and the decrease of their income. Globally, almost 510 million women workers, 40%, carry out their work in the sectors most affected by the crisis.

In general, those who are linked to the so-called "informal sector" have been the most affected. There are more than 2,000 million people in the world (62% of the total employed), who work in practically all sectors of the economy, from hotels, street trade, agriculture, etc. 1.6 billion of them were affected by the restrictions imposed to confront the pandemic.

One in six young people in the world have lost their jobs since the start of the pandemic, and those who are still employed have seen their hours of work reduced by 23%. Young people have seen the destruction of their jobs. Three out of four young people active in the labour market work in the "informal sector"; therefore they lack social protection. This period has been very hard for young people: their jobs have been destroyed, they have faced obstacles to continue their education and their access to the labour market has been hindered.

The current crisis is widening and deepening social inequities. The year 2020 will end with 71 million more people in conditions of extreme poverty, if the forecasts for economic growth are maintained with favourable factors; otherwise they would reach 100 million people, with which the world rate would rise to 9.18%, meaning the first increase recorded since 1998. The number of people living in poverty would increase by 353 million by the end of the year.

It is mainly the poorest dependent countries that will suffer the increase in extreme poverty and general poverty; almost half of the new poor will be in South Asia, and more than a third in Sub-Saharan Africa.⁹ Latin America and the Caribbean is the region most affected in terms of negative social effects; extreme poverty will grow from 67 to 83 million people this year, and its growth will be greater in urban rather than rural areas, also due to difficulties in production, decreases in the price of materials, problems in their economy; there is a risk of a food crisis.

The impacts of the economic crisis on the workers and peoples are profound and lasting; they will be present long after the economic recovery begins.

There is no doubt that the destruction of the productive forces that has occurred and continues to occur and the adoption of policies to get out of the hole in which the world economy finds itself, signifies an increase in the level of exploitation of the working class, of the oppression of the peoples. Once again the bourgeoisie has placed the burden of the crisis on the shoulders of the oppressed.

The rapacious character of capitalism has been laid bare

The development of this new economic crisis of capitalism, as well as of the Covid 19 pandemic and the measures that the bourgeoisie is carrying out to alleviate them, are provoking a many-sided questioning of the system of exploitation in which the workers and peoples live.

Years of carrying out neoliberal policies that, among other aspects, led to the strengthening of the private health and social security systems – to the detriment of

those of the public sector – to the carrying out of policies of labour flexibility, to the cutting of budgets for social programs, etc. have placed the burden on the poorest people in the course of the Covid-19 pandemic. They have been the main victims of infection and death, as well as of social confinement, the closure of companies and the measures adopted by governments to save the big business owners.

The workers have seen millions of dollars go to support big business, while the support bonuses or other measures to mitigate the problems of millions of people without jobs and without food are barely crumbs compared to those. The workers are receiving lower wages so that the big bourgeoisie can maintain its fortunes, in a world in which 1% of the richest people concentrate 82% of the wealth.

Above all, there is a fundamental element that the entire world has seen: without the labour force in motion, without the workers in the factories and the peasants in the fields there is no production; without that work, society does not generate wealth!

Among the bourgeoisie there is concern about what is happening, about the weaknesses that its system presents and the risk that situations such as those that are taking place today are causing to its stability and permanence. In their think tanks they create proposals that, in general, appear as innovations or reforms to make capitalism less savage, "more friendly" for the workers, peoples and nature; some speak of the need to adopt social policies for the future – similar to those applied by the Welfare State; others, on the other hand, appeal to the need to apply policies of force to contain the discontent and struggle of the masses.

For millions of men and women, it is clearer that the bourgeoisie has in the State the instrument to protect its class interests, in those sectors they are developing the consciousness of the need to transform society. However, these steps taken in the development of the consciousness of the working class do not mean that the perspective of revolution and socialism is opened for all of them as an effective alternative to overcome the current state of affairs. The ideological influence of the bourgeoisie and opportunism is still strong in the workers' and popular movement, and the capitalist crisis finds it affected by a great ideological and political confusion.

In the same scenario of the crisis, facing the attacks of the pandemic and the devastating impacts of unemployment and poverty on the workers and peoples, the youth have expressed their opposition and rejection of the policies of States and the employers; they have come out into the street demanding their rights, in varying degrees, in almost all countries. Those expressions of struggle of the working class and peoples will grow and we proletarian revolutionaries must strive to be present, to point out the most right and correct paths, to play the role of organizers and leaders of the popular struggle. These battles are, by their content and objectives, expressions against capitalism, in opposition to its predatory and oppressive nature; they can and must advance to see the objectives of the revolution and socialism.

Transform the discontent of the masses into organization and struggle

The scenario opened up by the current crisis is creating better conditions to advance the consciousness, politicization, and organization of the working class, youth and peoples. We, the Marxist-Leninist parties and organizations, have a great opportunity to develop our work in this regard, to increase our forces in each of our countries, to expand the influence and organization of the International Conference of Marxist-Leninist Parties and Organizations among the workers and the peoples of the world. This opportunity represents a great challenge for the proletarian revolutionaries that we take up with

conviction and courage to demonstrate the need for the revolution, to increase and develop our parties, to advance in the process of accumulating revolutionary forces.

These purposes will be feasible if we deepen our ideological, political and organizational relationship with the working class, the youth and the peoples, transforming their discontent into organization and struggle, raising the fight against the measures and policies implemented by the bourgeoisie to unload the crisis on the workers and peoples. In each country, we have the responsibility to present proposals and programs to face the crisis – that respond to the interests of the workers and the peoples – that become the banners of the masses of struggle and serve us to demonstrate that the interests of the workers and the bourgeoisie are opposed and irreconcilable.

The events that are taking place on a global scale confirm the Marxist-Leninist principles on the nature of the crises of capitalism, but also to confirm that their existence does not in itself determine the outbreak of the social revolution of the proletariat. It is essential to have a strong mass revolutionary movement, a great workers' and popular movement that will fight against all forms of the exploitation and oppression of capitalism and will lead their struggles towards the establishment of the power of the working class and people. At the same time, the existence and action of the revolutionary political vanguard, sufficiently developed and rooted among the masses, is essential for it to completely fulfil the leading role in the revolutionary process. We must recognize that many steps need to be taken in this regard to achieve the victory of the proletariat over the owners of capital. The International Communist Movement has organizational expression in few countries and with limited influence. This situation must be overcome, and urgently.

The fight for the seizure of power obliges us to make public, as widely as possible, our points of view, the new evaluations of what is happening in the world and what are its causes and beneficiaries. We must be active participants – with our Marxist-Leninist conceptions – in the political and ideological debate that has opened up regarding the permanence of current capitalism and the "changes" that sectors of the bourgeoisie are saying need to be made. Along with the perspective of the revolution and socialism, we need to present proposals for the material demands of the masses – immediate and medium term – that can become banners of mobilization and struggle, as is already happening in various regions.

There is much talk of the advent of a "new normal", as if this would mean overcoming the problems that the world faces today and before the pandemic. However, they assume it based on the criteria that would be built on the same pillars of the outdated capitalist regime: on the exploitation of workers and peoples, the oppression of women, the depredation of nature, racial segregation, with certain modifications in the social behaviour. In reality, the international bourgeoisie seeks to take advantage of the current circumstances to find new accumulation mechanisms, that is, to take the exploitation of wage labour, the extraction of surplus value, to higher levels.

We Marxist-Leninists seek a new order that means the revolutionary transformation of society, a "new normal" that arises from the negation of the past, with the birth of a new society, the society of the workers. Only socialism can build that new world.

International Conference of Marxist Leninist Parties and Organizations ICMLPO

July 2020

¹ Karl Marx. Capital, Volume III, chapter XV.

-
- ² See: *The seeds of the next debt crisis*, John Plender, March 16, 2020
<https://www.expansion.com/mercados/2020/03/09/5e6578f4468aebff048b45b2.html>
- ³ See: *The 10 countries with the greatest corporate debt*, Miguel Boggiano, December 16, 2019. <https://www.ambito.com/opiniones/bonos/los-10-paises-mayor-deuda-corporativa-n5071402>
- ⁴ See: *Fiscal Policies for a Transformed World*, IMF Blog, June 10, 2020
https://blogs.imf.org/2020/07/10/fiscal-policies-for-a-transformed-world/?utm_medium=email&utm_source=govdelivery
- ⁵ See: *UK: wishing for a V-shape*, Michael Roberts. July 10, 2020
<https://thenextrecession.wordpress.com/2020/07/10/uk-wishing-for-a-v-shape/>
- ⁶ World Bank.
- ⁷ International Labor Organization https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_743146.pdf
- ⁸ See: https://reliefweb.int/sites/reliefweb.int/files/resources/wcms_749470.pdf
- ⁹ See: <https://www.worldbank.org/en/topic/poverty/brief/projected-poverty-impacts-of-COVID-19>