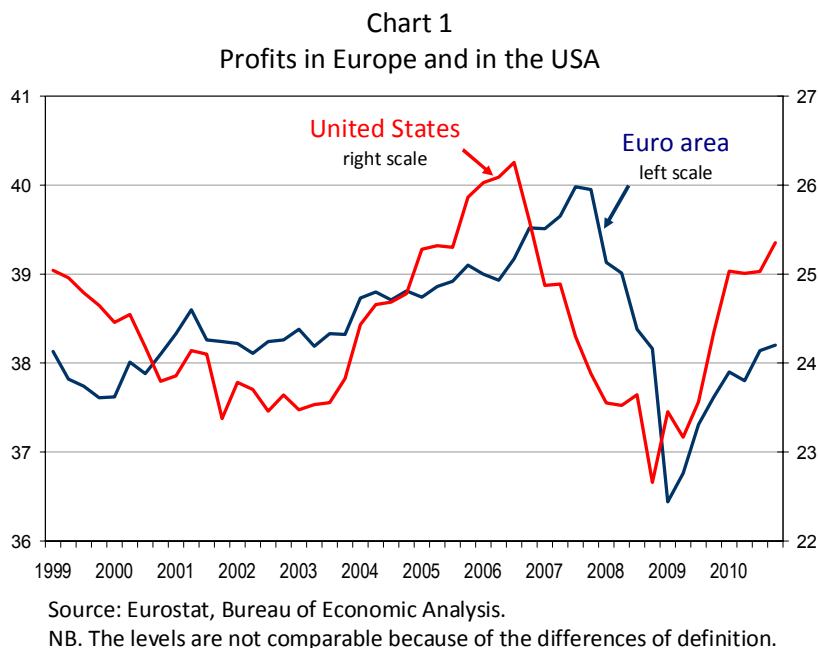


A bottomless crisis¹

Michel Husson, August 2011

The profit share is recovering. In the United States, where it had plunged soonest, it has now nearly recovered to its pre-crisis level. In the Euro zone, the fall came later, and the catch up has been less rapid: the marginal rate has returned to its level of ten years ago, and the increase over the last decade has thus been lost, at least for now (see chart 1). But profits are headed upwards. It is moreover one of the most striking traits of the conjuncture : while austerity is unleashed, unemployment remains high and wages are being frozen or indeed lowered, the first concern of the big groups and banks has been to start distributing dividends and bonuses again.



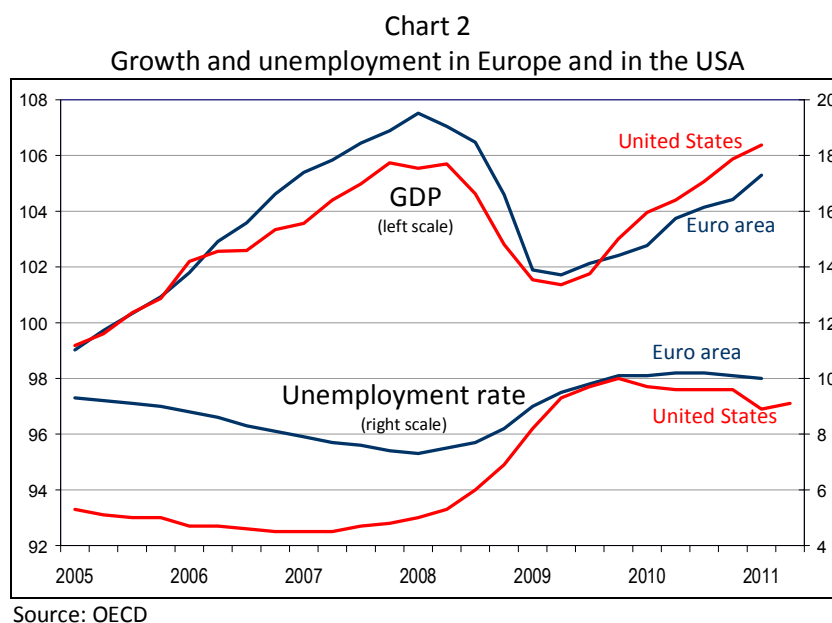
Growth decelerates. The big question is whether the dip of the recession will be overcome. One can a priori imagine three scenarios: a return to the pre-crisis trend, a durable loss or even a growing loss. The latest data available show that many countries are in a situation of the scenario of durable. In the first quarter of 2011, some had not yet recovered the level of GDP reached before the crisis: this is the case with Japan, the United Kingdom, Spain and Italy. The USA, Germany and Sweden have just done so, and France is not far from it. But recovering the pre-crisis level of GDP does not mean the loss will be erased. [More recent data](#) confirm this stagnation: in the second quarter of 2011, growth was 0% in France, 0.1% in Germany and 0.2% for the whole of Europe.

A broken up Europe. If France, Sweden and Germany have come out of the dip, this is not the case with numerous other countries: Spain, Greece, Ireland, Iceland, Italy, Portugal, United Kingdom, which have suffered a durable loss in activity or are with difficulty regaining momentum.

The old capitalist countries are behind. The USA has for the moment recovered its pre-crisis rhythm of growth. The European Union, taken as a whole, succeeds with greater difficulty and has not filled the hole. Finally, Japan is far from doing so, and its GDP is headed downwards again since the nuclear disaster. On the other hand, the growth of the two big emergent countries (China and India) continues, and the crisis has practically not affected them. Others (Brazil, South Korea, Russia) have suffered a more severe fall in activity.

¹ This note summarizes the main proposals of the article "[A crisis without end](#)", IV Online magazine : IV439 - August 2011.

Unemployment becomes embedded. The USA and Europe present the same profile. Growth recommences, but the unemployment rate is not falling from the upward boost that the crisis gave it (chart 2).



The bill has yet to be paid. This “loss of GDP” risks bringing about the collapse of the debt mountain. To limit the damage, the states have taken responsibility for this lost income. Their problem is now to manage this debt, by seeking obviously to pass on the bill to the immense majority of their citizens. But this project comes up against obstacles of every kind, and this uncertain situation will render still more improbable a return to the growth of yesteryear. If nothing is done to renounce the debts, their drift could take as much time to absorb as it has to constitute. And growth will be held back, in the same proportion that it was artificially boosted before the crisis. But there are more fundamental reasons to bet on the hypothesis of durably reduced growth in the two big poles of the capitalist economy: the US model can no longer function as before, and the Euro zone has plunged into a lasting structural crisis.

A blocked horizon. Any recession creates tensions and contradictions which emerge in the steering of economic policy seeking to renew growth. This is particularly true in the case of the recent “great recession”, but the latter is also the symptom of a systemic crisis: capitalism can no longer function as before. A return to “business as usual” or the regulated capitalism of the post war era is impossible. The period opened by the crisis is then characterised by profound uncertainties. In its project for emerging from this, capitalism faces the following obstacles, referred to as “dilemmas” in a previous article²:

1. **dilemma of distribution:** the re-establishment of profit is opposed to the recovery of growth and tends to be linked to an inegalitarian distribution of wealth which is however one of the profound causes of the crisis.
2. **budgetary dilemma:** the clearance of the public deficits implies a reduction of public expenditure which, without speaking of its social effects, can only aggravate recessionary tendencies. “Budgetary austerity could further slow recovery”, notes a recent UN report³.
3. **European dilemma:** the triple rejection – of a mutualisation of public debts, a real contribution from the banks and a disciplining of finance – means the breakup of the Euro zone, following a sequence of defaults, cannot be ruled out.

² Michel Husson, “[La nouvelle phase de la crise](#)”, ContreTemps number 9, 2011

³ [World Economic Situation and Prospects 2011](#), ONU, 2011. The quotations come from the English summary of this report.

4. dilemma of globalisation: the clearance of imbalances can only be done at the price of a slowing of world growth. The UN report already cited notes that “the global recovery has been dragged down by the developed economies” and stresses the risk of an “uncoordinated rebalancing of the world economy”.

These four dilemmas are closely intertwined. They indicate a “chaotic regulation” of capitalism, lastingly incapable of finding a trajectory of exit from crisis compatible with profoundly contradictory interests. Basically, the challenge is now to pass the bill of the crisis to the people’s majority. This is the way to interpret the pressure exerted on the States by the “financial markets”. Only social mobilisation can prevent capitalism seeking to exit from this impasse by further deepening social regression and pushing to the extreme the tensions between countries. But that also supposes that these mobilisations rest on alternative perspectives. As the latter imply a higher degree of confrontation, the historic task is today to realise the unity of the forces of the radical left around a programme throwing a bridge between resistance to austerity and the objectives of a break with the logic of a system which is adrift.