Long waves and the world economic crisis

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Long wave tendencies

- There have happened four long waves in capitalist history. Their periodicity have been around each 45-50 years, though there is no beforehand preset duration.

- The behavior of accumulation tendeny within each long wave has caused prosperity periods, around 25 years, followed by a period of relative declination in the growth rythm.

- There are internal business cycles within each long wave, around of 5-9 years of duration each. The speed of them increased due to capital rotation more accelerated tendencies, replacing fix capital more quickly.

- **However, while the path to a weaker phase is inevitable under the profit and labor value logic, the transition to a new long wave of prosperity needs external factors to the internal dinamyc of the long wave.** Then, sociopolitical factors, economic (new market opportunities) and technological factors become decisive.

Long waves model (E. Mandel)

- Capital accumulation is guided under the influence of general profit rate, although in a not mechanic nor exclusive way.

- Profit rate is influenced by several factors:

A) **Sociopolitical and capital-labor relationship**: exploitation rate.

B) **Technical and economic ones** (organic composition of capital)

C) Evolving within broad socioeconomic and historic environment

D) Geopolitical and politcal framework.

- Recesion needs both a fall of profit rate and profit mass decline (business volumen and economic activity) happening at the same time.

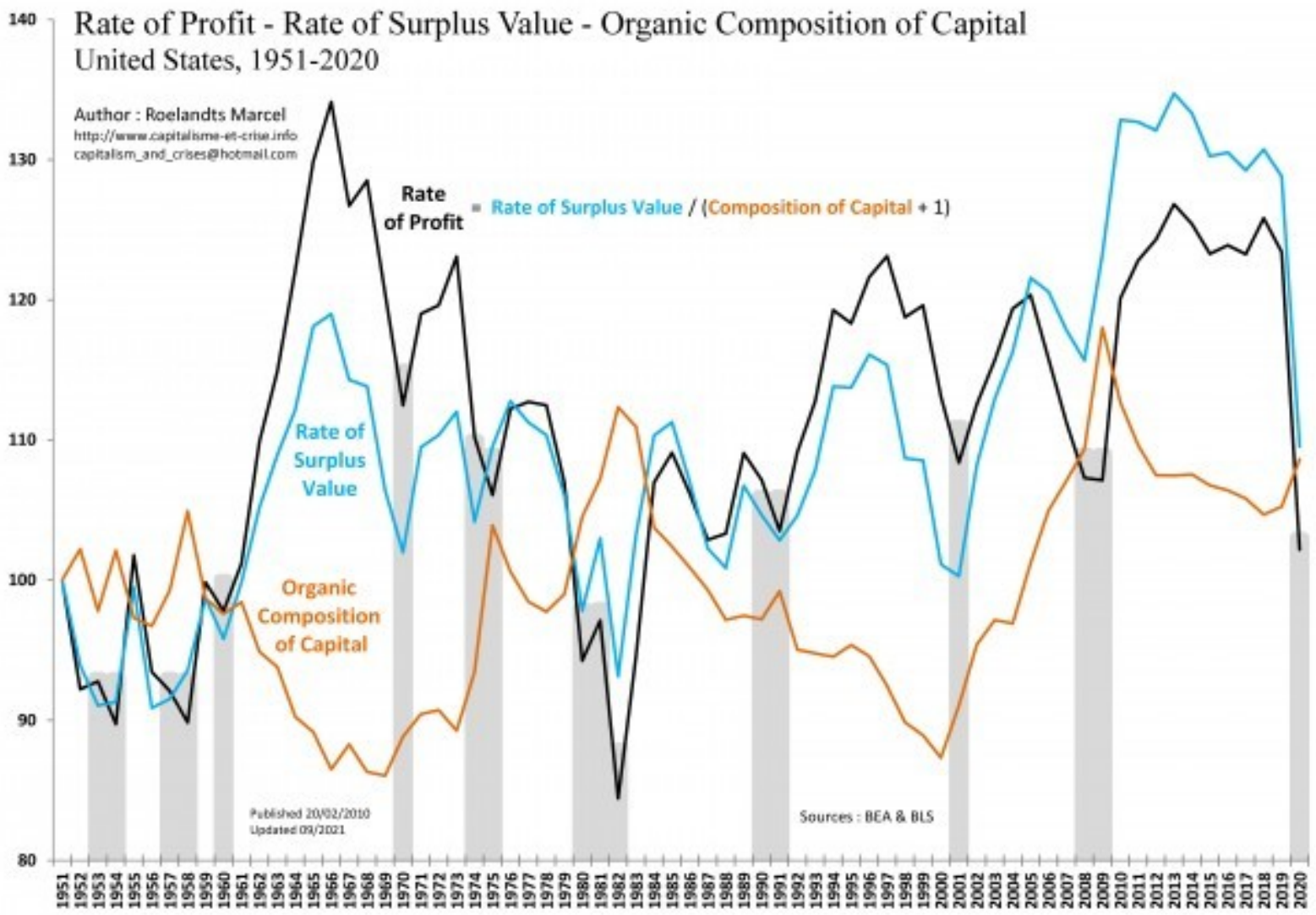
Profit Rate

$$g' = \frac{G}{K} = \frac{G}{C + V}$$

$$g' = \frac{G}{K} = \frac{G}{C + V} = \frac{Pv}{C + V}$$

$$g' = \frac{Pv / V}{C / V + V / V}$$

$$g' = \frac{pv'}{c' + 1}$$


Rate of Profit - Rate of Surplus Value - Organic Composition of Capital
United States, 1951-2020
Author : Roelandts Marcel
http://www.capitalisme-et-crise.info
capitalism_and_crises@hotmail.com
Rate of Profit = Rate of Surplus Value / (Composition of Capital + 1)
Rate of Surplus Value
Organic Composition of Capital
Published 20/02/2010
Updated 09/2021
Sources : BEA & BLS
140
130
120
110
100
90
80

The world economic impact of Covid-19

- The year 2020 will be remembered for the Covid-19 pandemic.
- It has led to strong restriction measures, which has meant hibernation or putting the economy to idle for months.
- The world economy has been in a depression unprecedented since 1929.
- An unprecedented expansionary monetary policy by the Central Banks is being prolonged and intensified among public policies, and a policy of suspension of the doctrine of fiscal consolidation is accepted in most governments to try not to lose more jobs or sink further the economic activity.
- The worst-off countries are those that depend on personal service activities and those specialized in oil exports, in favor of manufacturers.
- China was the only country with positive growth in 2020, World sovereign debt reaches 100% of world GDP and the problem of global public and private debt is intensifying.

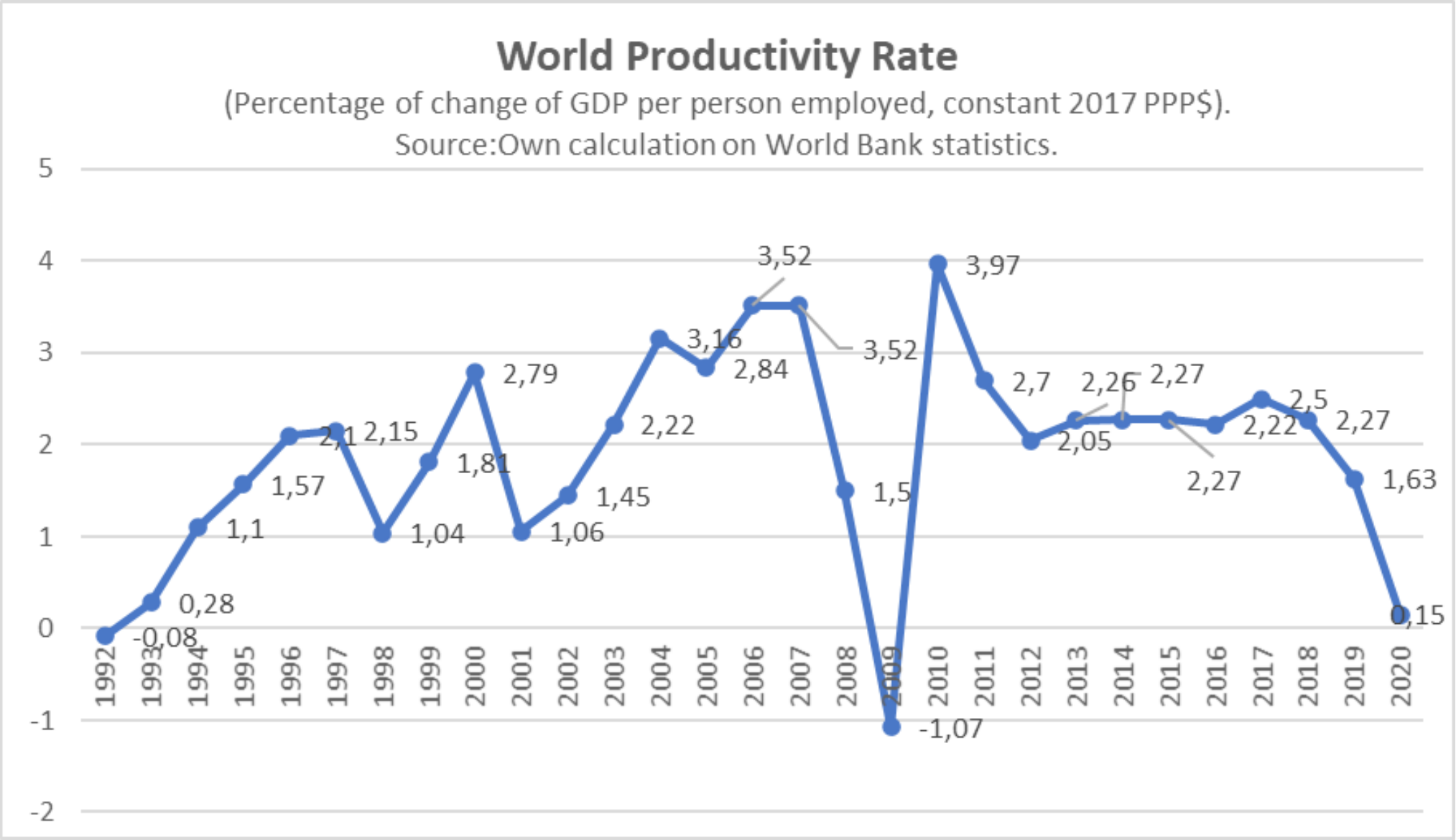
Global supply crisis

- There is inflationary pressure from **a revival of demand more intense than the slow restart of production processes**.

- The **global value chain**, in the face of supply chain and transport disruption, is causing supply imbalances. **Just-in-time** practices, zero warehousing, in this context cause severe bottlenecks.

- **Competition between the US and China**, a serious contender for international economic hegemony, causes geostrategic conflicts on the global chessboard. The rate of profit is not sufficient for a high-intensity economic revival, although it will depend on the correlation of social forces.

- Abundant quality **oil** is more expensive to extract, peak oil was exceeded in 2006, pending Arctic reserves, and Russia and Algeria have just exceeded peak **gas** extraction. There is also a global shortage of some essential raw materials for modern industry.


World Productivity Rate
(Percentage of change of GDP per person employed, constant 2017 PPP$).
Source:Own calculation on World Bank statistics.
5
4
3
2
1
0
-1
-2
1992
1993
1994
1995
1996
1997
1998
1999
2000
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2002
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2015
2016
2017
2018
2019
2020
-0,08
0,28
1,1
1,57
2,1
2,15
1,04
1,81
2,79
1,06
1,45
2,22
3,16
2,84
3,52
3,52
1,5
-1,07
3,97
2,7
2,05
2,26
2,27
2,27
2,22
2,5
2,27
1,63
0,15

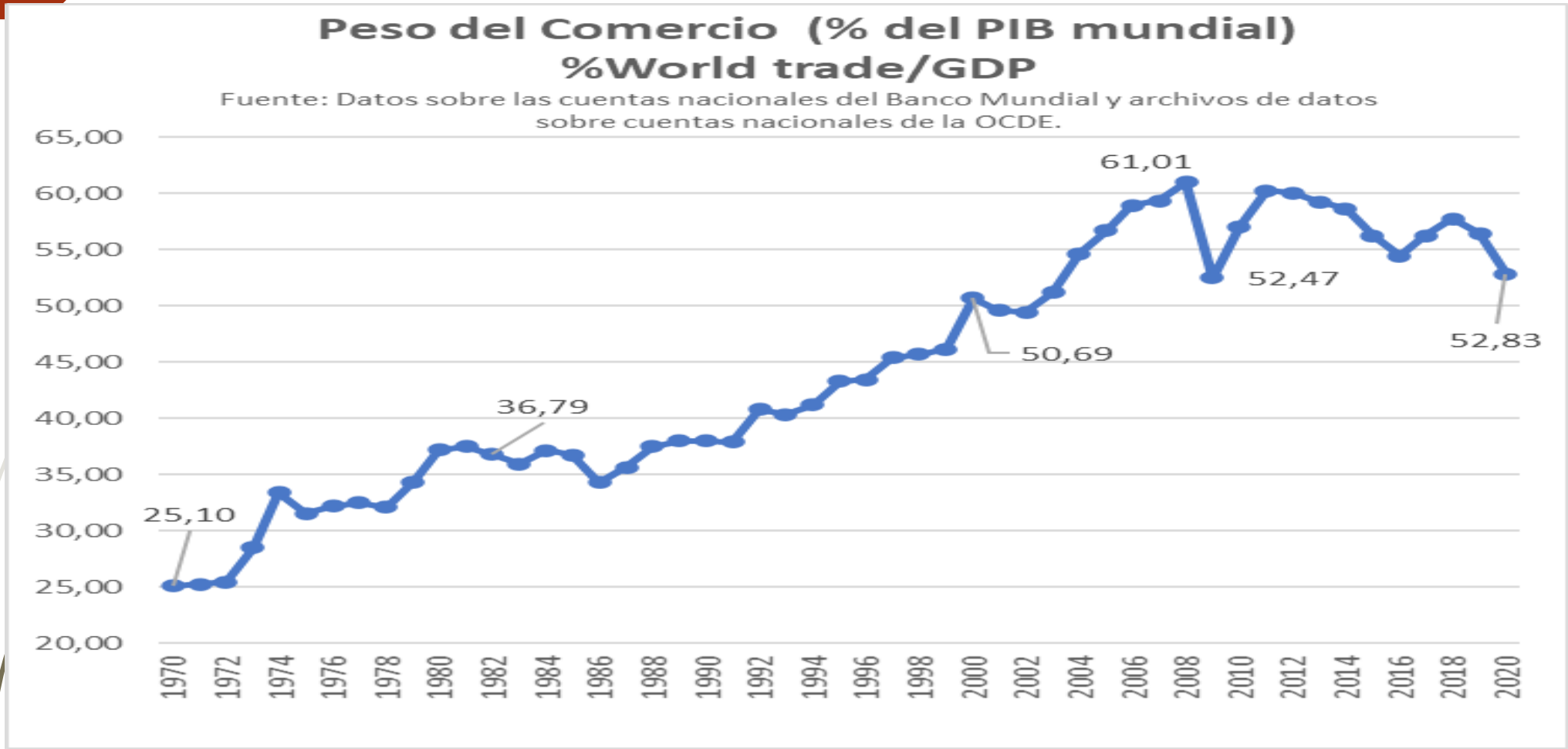
TWO THEORIES OF UNEVEN DEVELOPMENT - incompatible or complementary?

VALUE TRANSFERS

- Explains inequality by emphasizing more the transfer of value in world trade and the dual profit rate of oligopolies.
- Value is produced mostly in the dependent countries, and in unequal exchange it is appropriated to a greater extent by central capital.

EMPOWERED WORK

- It explains inequality more in the imperialist division of labour and exploitation. It denies the role of oligopolies.
- Value is produced to a greater extent by labour performed in the central countries, thanks to a higher composition and power of capital and higher productivity per unit of labour,
- Central capital thus has more surplus at its disposal, as it occupies the most strategic and productive segments of the value chain.


Peso del Comercio (% del PIB mundial)
%World trade/GDP
Fuente: Datos sobre las cuentas nacionales del Banco Mundial y archivos de datos sobre cuentas nacionales de la OCDE.
65,00
60,00
55,00
50,00
45,00
40,00
35,00
30,00
25,00
20,00
25,10
36,79
50,69
61,01
52,47
52,83
1970
1972
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1976
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1992
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2018
2020

The financialized model of the Neoliberalism of State

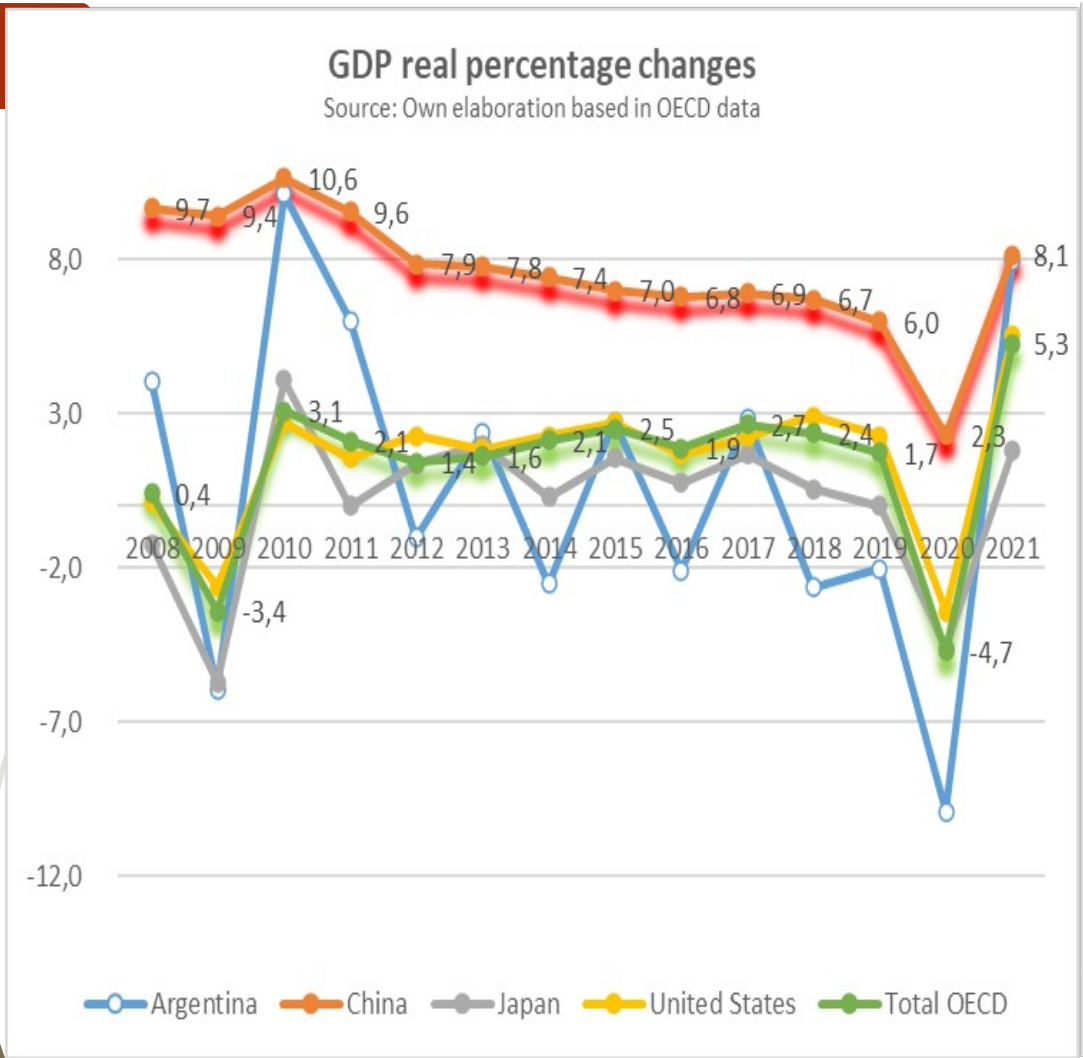
- The Neoliberalism opted for combating the overproduction crisis with a mix of old and new recipes. On one hand, through **structural adjustment** (privatisations, social and labour rights devaluation, worse social policies). On the other, through facilitating to indebt the economy, mostly the private sector with easy credit, and families with long term mortgages.

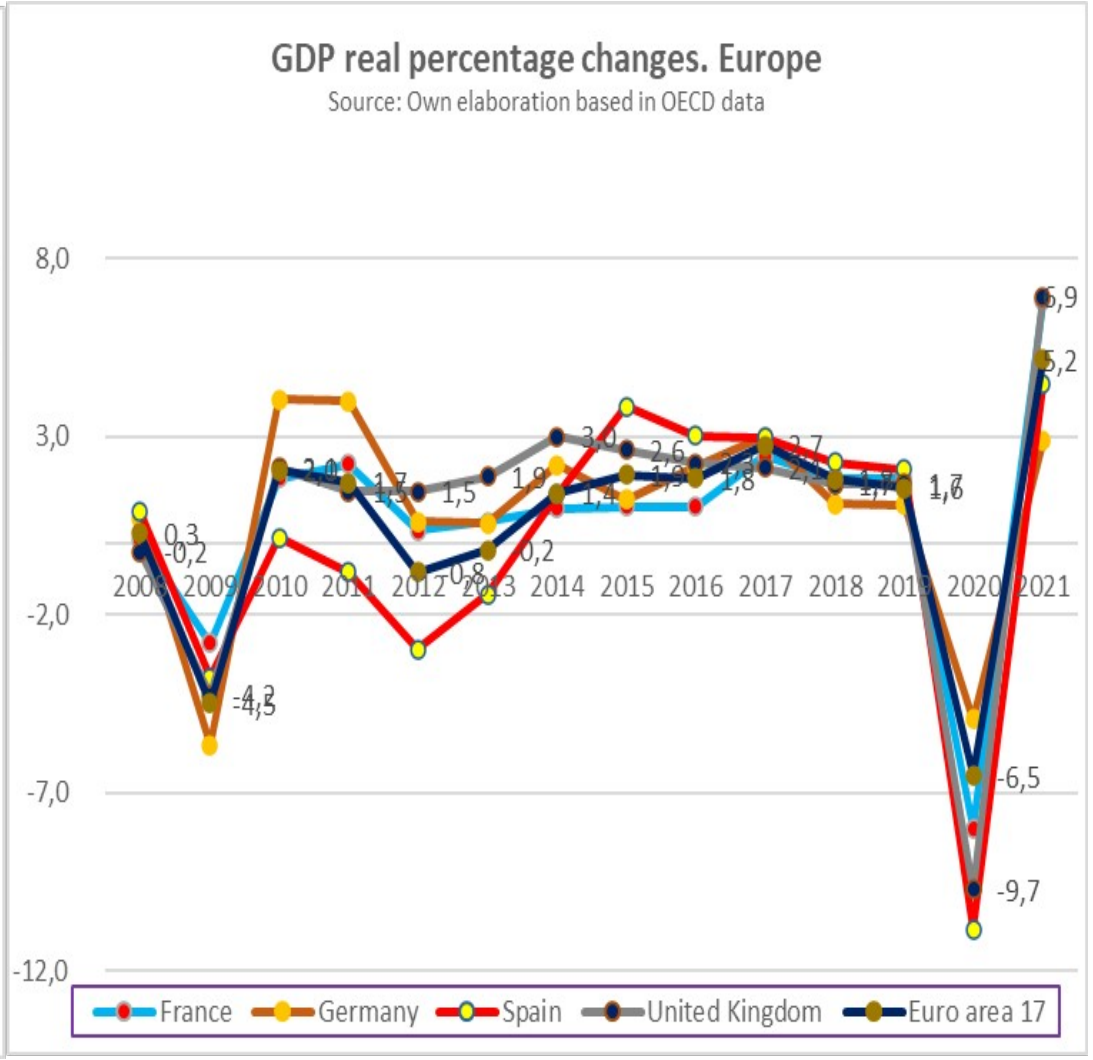
- **Expansive monetary policies** have been applied. Although the financial sector and private economy were priviliged in this regard, in detrimental of public sector.

- **Strong financial deregulation** relaxed the soundness of **banking system** and financial markets, created hazard moral transferring economic risks towards public sector, small companies, and families.

- **Lower tax burden of capital and equity**. Cuts in public services, social policies, and real wage moderation.

- Public policy: **Generosity with capital, social austerity**, and externalisation of public services.


GDP real percentage changes
Source: Own elaboration based in OECD data
8,0
3,0
-2,0
-7,0
-12,0
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
Argentina
China
Japan
United States
Total OECD


GDP real percentage changes. Europe
Source: Own elaboration based in OECD data
8,0
3,0
-2,0
-7,0
-12,0
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2020 2021
France
Germany
Spain
United Kingdom
Euro area 17

Real GDP

Percentage changes

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Argentina	4,1	-5,9	10,1	6,0	-1,0	2,4	-2,5	2,7	-2,1	2,8	-2,6	-2,0	-9,9	8,0
Belgium	0,4	-2,0	2,9	1,7	0,7	0,5	1,6	2,0	1,3	1,6	1,8	2,1	-5,7	6,1
Brazil	4,8	0,2	7,6	4,1	1,6	3,2	0,5	-3,5	-3,5	1,6	1,7	1,4	-4,4	5,0
Canada	1,0	-2,9	3,1	3,1	1,8	2,3	2,9	0,7	1,0	3,0	2,4	1,9	-5,3	4,8
China	9,7	9,4	10,6	9,6	7,9	7,8	7,4	7,0	6,8	6,9	6,7	6,0	2,3	8,1
Czech Republic	2,5	-4,5	2,3	1,8	-0,7	0,0	2,3	5,5	2,4	5,4	3,2	3,0	-5,8	2,5
Denmark	-0,5	-4,9	1,9	1,3	0,2	0,9	1,6	2,3	3,2	2,8	2,2	2,9	-2,7	4,7
France	0,1	-2,8	1,8	2,2	0,4	0,6	1,0	1,0	1,0	2,4	1,8	1,8	-8,0	6,8
Germany	0,7	-5,6	4,0	4,0	0,6	0,6	2,2	1,2	2,1	3,0	1,1	1,1	-4,9	2,9
Greece	-0,3	-4,3	-5,5	-10,1	-7,1	-2,5	0,5	-0,2	-0,5	1,1	1,7	1,8	-9,0	6,7
India [1]	3,1	7,9	8,5	5,2	5,5	6,4	7,4	8,0	8,3	6,8	6,5	4,0	-7,3	9,4
Indonesia	6,0	4,7	6,4	6,2	6,0	5,6	5,0	4,9	5,0	5,1	5,2	5,0	-2,1	3,3
Italy	-1,0	-5,3	1,7	0,8	-3,0	-1,9	0,1	0,7	1,4	1,7	0,8	0,4	-9,0	6,3
Japan	-1,2	-5,7	4,1	0,0	1,4	2,0	0,3	1,6	0,8	1,7	0,6	0,0	-4,6	1,8
Korea	3,0	0,8	6,8	3,7	2,4	3,2	3,2	2,8	2,9	3,2	2,9	2,2	-0,9	4,0
Mexico	1,1	-5,3	5,1	3,7	3,6	1,4	2,8	3,3	2,6	2,1	2,2	-0,2	-8,3	5,9
Netherlands	2,2	-3,7	1,3	1,5	-1,0	-0,1	1,4	2,0	2,1	3,0	2,3	1,9	-3,8	4,3
South Africa	3,2	-1,5	3,0	3,2	2,4	2,5	1,4	1,3	0,7	1,2	1,5	0,1	-6,4	5,2
Spain	0,9	-3,8	0,2	-0,8	-3,0	-1,4	1,4	3,8	3,0	3,0	2,3	2,1	-10,8	4,5
Switzerland	2,7	-2,1	3,2	1,9	1,3	1,9	2,4	1,6	2,0	1,7	2,9	1,2	-2,5	2,9
United Kingdom	-0,2	-4,2	2,1	1,5	1,5	1,9	3,0	2,6	2,3	2,1	1,7	1,7	-9,7	6,9
United States	0,1	-2,6	2,7	1,5	2,3	1,8	2,3	2,7	1,7	2,3	2,9	2,3	-3,4	5,6
Euro area 17	0,3	-4,5	2,0	1,7	-0,8	-0,2	1,4	1,9	1,8	2,7	1,8	1,6	-6,5	5,2
Total OECD	0,4	-3,4	3,1	2,1	1,4	1,6	2,1	2,5	1,9	2,7	2,4	1,7	-4,7	5,3

Note: For information on the national accounts reporting systems, base years and latest data updates, see the table at the beginning of the Statistical Annex.

1. Fiscal year.

Source: OECD Economic Outlook 110 database.