

# Deeper than ever, the crisis leaves capitalism out of breath

Saturday 20 May 2023, by [CADTM](#), [TOUSSAINT Éric](#) (Date first published: 14 June 2023).

## **CADTM : Are we witnessing a crisis**

*This is a major crisis of the globalized capitalist system, the worst crisis since those of the years 1914-1945*

**Éric Toussaint :** Yes. All the warning lights are flashing: there is a very significant economic slowdown (stagnation in the Eurozone in the last quarter of 2022-first quarter 2023) without any reduction in greenhouse gas emissions and other environmental damage; the drastic effects of the ecological crisis, especially as manifested by climate; a huge increase in public and private debt; high inflation and loss of buying power for the working classes; rising job precarity; the explosion of inequality, with the colossal increase in private ownership and the revenues of the richest 1%; a falling Human Development Index in many countries, especially of life expectancy, the North included; harsher trade wars; [a serious world food crisis](#); wars in Europe, in Sudan, in the Horn of Africa, in the Arabian Peninsula, in the East of the DRC, and more; a rise in authoritarian forms of government practice (ever harsher repression of protest, the sidelining of legal process, etc.); attacks on basic human rights such as the right to abortion; increasingly restrictive and lethal migration policies; electoral successes of the far right, and so on.

**The only economic sector that has seen enormous progress in productivity is the military sector. This is a major crisis of the globalized capitalist system, the worst crisis since those of the years 1914-1945.**

## **CADTM : At what phase of the crisis is the world economy now**

**Éric Toussaint :** There is no sign yet of the end of the tunnel. Things are going to get worse: speculative bubbles may burst at any moment producing a sudden aggravation of the economic situation. There may be even more serious warlike incidents than the present ones. There is every reason to believe that climatic and environmental catastrophes will worsen. The health crises are not over, far from it. Governments and central banks are taking no measures calculated to give humanity a chance to come out of the crisis, quite the opposite. The concentration of strategic tools of production and finance in the hands of an ever-smaller number of large private share-holders continues in the energy sector, extractive industries, the marketing of food and other raw materials, in the pharmaceutical sector, the banking sector, etc.

## **CADTM : What are the causes**

*Government and central bank policies of injecting massive liquidities and the rapid increase in debt have maintained or led to the emergence of new financial bubbles.*

**Éric Toussaint :** Despite the enormous accumulation of wealth by the richest 1%, and despite the colossal gains of a series of large corporations particularly in the food and energy sectors, “Big Pharma”, the shipping industry and the arms industry, globally profit rates are not high enough to

enable Big Capital to launch a huge wave of productive investments.

One should never lose sight of the fact that Capital seeks to maximise its profits. When it cannot do so, it concentrates especially on speculation. This is one of the contradictions inherent in the capitalist system.

Apart from the big companies that make extraordinary profits by taking advantage of crises such as pandemics, energy shortages, and wars, the majority of companies are confronted with falling profits and falling productivity, despite aggravated conditions of exploitation of the work-force and increased job insecurity.

There is also a problem regarding the supply side of goods: confinement measures during the Coronavirus pandemic of 2020-2021 (up to and including 2022 for China) led to breakdown in the supply lines. The semi-conductor sector, with production concentrated in a small number of countries, has run into production problems and has trouble in meeting demand. This phenomenon is accentuated by the trade and technology war between the United States and China. We are seeing a phase where Washington is becoming more aggressive in trying to limit China's economic and commercial expansion.

In the real-estate sector, supply is outstripping demand. There was a new phase of over-investment in building construction relative to solvent demand. This was the case in the United States, Great Britain and China. It has been particularly obvious for commercial buildings (offices and commercial premises). A speculative bubble developed between 2018 and 2022, triggering a new mortgage crisis.

Government and central bank policies of injecting massive liquidities and the rapid increase in debt have maintained or led to the emergence of new financial bubbles. This is evidenced in stock-market capitalization, the debt bond market, in the housing sector of several countries, in the markets for raw materials and in cryptocurrencies. The 180 degree turn in policy since 2022, passing from Quantitative Easing (QE) to Quantitative Tightening (QT), has triggered great financial insecurity. In short, the decision by governments and central banks to raise interest rates to fight inflation is leading to stagnation, perhaps even a recession, and to further financial crises, without managing to reduce inflation in any significant way. Indeed, the financial crisis that has already led to the bankruptcy of several cryptocurrency firms in 2022 and of four major banks in the United States and Europe in March 2023 could well resurface causing further banks to collapse or serious financial accidents in other areas such as the stock-markets, the property sector especially commercial property, the bond sector and so on.

**For more on this topic, please read :** <https://www.cadtm.org/Does-the-US-F...>

### **CADTM : Is there a new debt crisis in the South?**

**Éric Toussaint :** A new debt crisis is affecting a whole series of countries of the South for example, in Asia (Sri Lanka, Pakistan, Bangladesh), in Sub-Saharan Africa (Ghana, Zambia), in North Africa (Tunisia, Egypt), in the Near East (Lebanon), in Latin America (Argentina), in the Caribbean (Puerto Rico, Cuba), and more. Some of those countries have suspended payments, or did so previously, as in the case of Sri Lanka. Further suspensions of payments are likely.

Generally speaking, this crisis is triggered by a succession of external shocks which have a serious impact on the economies of the South. These external shocks result from actions and events in the North:

1. There was the Coronavirus pandemic that started in the North (China, Europe, North America) before spreading to the South. The effects of the pandemic on debt are clear: increased public indebtedness to fund the fight against the pandemic and a reduction of resources in hard currencies required to ensure repayment of external debt. The latter was largely due to the abrupt fall in tourism from 2020 until 2022 as some economies have become highly dependent on tourism, for example Sri Lanka and Cuba.
2. The war caused by Russia's invasion of Ukraine had significant effects. Cereal and fertilizers rocketed prices whereas a whole series of countries of the South had become net importers of cereals and chemical fertilizers under pressure from organizations like the World Bank, the IMF and governments of the North to concentrate on other types of agricultural production, such as tropical fruits, coffee, tea, cotton and transgenic soya for cattle-fodder. This huge increase in the price of imported cereals and fertilizers led to a shortage of financial resources and thus to problems repaying debt and the unsustainable accumulation of fresh debts to be able to carry on importing. The war in Ukraine has also caused an increase in the fuel prices; yet a large number of countries of the South import fuel. For countries like Egypt, Sri Lanka and Tunisia which import both cereals and fuel the debt situation has become unsustainable.
3. The third major external shock comes from the effects of climate change and the environmental crisis. This is particularly true for Pakistan which fell victim to catastrophic floods in 2022.
4. The fourth major external shock has been the cost of rescheduling debt, caused by the unilateral decision of the Federal Reserve of the United States, the European Central Bank and the Bank of England to massively increase interest rates. Countries of the South that were borrowing at annual interest rates of 3 to 6% are now confronted with rates for fresh loans climbing to between 9 and 15%. This too is unsustainable.

### **CADTM : They say that the IMF has changed. Is that so?**

**Éric Toussaint :** The IMF's policies have not changed, any more than those of the World Bank. They are as pernicious as ever. And because many countries in the South have once more been obliged to resort to IMF loans, they have to apply even more stringently antipopular neoliberal policies.

In this context, it is important to give full collaborative support to the [CADTM's call for a counter-summit in Marrakesh from 12 to 15 October 2023 on the occasion of the IMF's and the World Bank's Annual General Assembly](#).

**The call :** <https://www.cadtm.org/Call-for-a-gl...>

### **CADTM: Why do you say that this is the worst crisis since 1945?**

*The ecological crisis is the product of two centuries of capitalist production as the dominant system*

Éric Toussaint: Since 1945, there has never been a crisis on such a scale and with so many facets as the current crisis. The ecological crisis and its climate dimension are on a scale never seen before. The ecological crisis is the product of two centuries of capitalist production as the dominant system. In the space of two centuries, this mode of production has profoundly affected and degraded life on the planet, and we have now reached a critical point. We can add to this the health crisis from which we are just emerging and which could rebound. This health crisis has caused more than 7 million deaths. Its scale is also linked to the capitalist system itself. Let's add that, compared with 1945, the nuclear arsenal has proliferated, and the level of international tensions could lead to a holocaust. From other points of view, the capitalist crisis is indeed the most serious since 1945, particularly in terms of economic collapse. The trend towards more authoritarian and violent forms of government is affecting all continents to varying degrees. The global rise of extreme right-wing forces is the

strongest since 1945. Repeated violations of human rights are on the rise, particularly with regard to migration and the right to asylum. Faced with these facts, we must not give up; we must redouble our efforts to bring about a genuine self-emancipating revolution.

---

---

**P.S.**

- CADTM. 20 June 2023 :  
<https://www.cadtm.org/Deeper-than-ever-the-crisis-leaves-capitalism-out-of-breat>
- Translated by Vicki Briault.