**The year capitalism failed**

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Years of increasingly aggressive competition, tariff and trade wars, and bans and subsidies, mostly initiated by the United States, culminated this past year in global economic warfare.

The key fact is not the military war between Russia and Ukraine, so far a limited, secondary affair except for the massive on-the-ground suffering of the Ukrainian people and the soldiers on both sides of the conflict. The year’s key reality is rather the economic warfare between the United States and the EU versus Russia and China: sanctions and countersanctions. Their ramifications (energy price spikes, supply chain disruptions, and massive market shifts) worsened the inflation already troubling many countries. These, in turn, provoked central bank interest rate increases that added more disruptive and costly shocks to an already problematic 2022 global economy.

For decades, wealth and income have been redistributed upward – with minimal protest by the working classes who were harmed by that redistribution. During 2022, working classes in many countries were no longer willing to defer their needs in the wake of that redistribution. Labor militancy, unionization, and strikes have all been renewed with remarkable energy and enthusiasm. Increasing numbers of workers are unwilling to wait and see whether or not long sluggish center-left and center-right governments and parties would do anything adequate to change the deepening inequalities, instabilities, and injustices of contemporary capitalism.

Capitalism’s victims increasingly rediscovered and resumed alliances with its critics. Thus, they know that stagflation, not recovery, may well be the result of inflation plus interest rate hikes. The emergence of the Global South as an important player in great power politics and its current realignments took further steps during 2022. Widespread feelings that an old capitalist world is falling apart are not fading.

Those feelings emerge into public view during a period of massive contradictions – for example, the resurgence of both white supremacy and anti-fascism, or the blows against abortion access in the US following the Supreme Court’s decision to overturn Roe v. Wade in contrast with France’s enshrining of abortion access in its constitution. Chinese workers demand better wages and working conditions while the dishonesty of global capitalist polluters gets increasingly exposed.

Meanwhile, global changes in great power alignments risk being misunderstood or undervalued because clashing capitalisms disguise themselves, yet again, in great principles. Russia versus Ukraine gets rewritten as anti-Russian North Atlantic Treaty Organization (NATO) expansion versus Ukrainian self-determination. US capitalism’s shift from neoliberal globalization to government-led economic nationalism to counter China’s rise in the global economy gets rewritten as required by “national security.” The further fracturing of Europe’s unity gets rewritten, in truly upside-down fashion, as a rebuilt US-EU-NATO alliance. Proliferating delusions need deciphering.

Global capitalism has already stumbled badly three times in this new century: the dot-com crisis in 2000, the subprime mortgage crisis in 2008, and the COVID-19 crisis in 2020. Calling each crisis by a different, conjunctural name thinly disguises a cyclic instability intrinsic to and as old as capitalism. The capitalist system that dominates globally today organizes 99 percent of its workplaces/enterprises with a small minority of employers who direct the large majority of employees. It forces today’s great powers (the United States, the EU, and China) to mobilize their allies and compete to shape the decisions of the Global South. The post-World War II years of US hegemony governed and held together a particular global arrangement of economies. The culmination of short-term instabilities and long-term trends inside and outside the great powers has undermined US hegemony. A struggle to shape the emerging “new world order” is underway. That struggle is the economic reality as 2022 ends.

The hegemonic war of maneuver is our context now; it will last until or unless a new global arrangement arrives. The French think tank École de Guerre Économique (EGE) has for 25 years been studying the shadow wars for dominance over the global economy with interesting, provocative results. In October 2022, EGE released a book, Guerre Économique: Qui Est l’Ennemi? (Economic War: Who Is the Enemy?), which presented the findings of a survey of French business experts that was conducted by EGE’s Centre de Recherche 451 (CR451) in July 2022. Respondents were asked to name five foreign powers that most threaten France’s interests. They answered that the United States was France’s greatest threat, with China, Germany, Russia, and the UK following, in descending order.

It would be wishful thinking to mistake this result as peculiar to the French. Many leaders and influencers around the world criticize and resent the last 75 years of economic hegemony wielded by the United States. That perspective on current events has only strengthened in recent years as the US global empire has lost power, the United States lost wars in Asia, and China emerged as the first serious economic competitor against the United States since at least 1945. The Ukraine war has so far served mainly to validate and thus harden that perspective.

The US-China conflict has provoked ongoing changes and shifts among all players in the global economy. After more than two decades of doing poorly in competition with China, the United States has shifted from a policy of neoliberal globalization to one of economic nationalism. The presidencies of Barack Obama, Donald Trump, and now Joe Biden illustrate the shift (even as orthodox economics finds it awkward having celebrated laissez-faire for so long). Objections from European, Canadian, and other corners flood into Washington against new US subsidies for automobiles produced inside the United States.

Those self-serving US policies are said to threaten deindustrialization elsewhere. Europe’s traditional subordination to and alliance with the United States since 1945 is fraying, notwithstanding the loud claims to the contrary coming from the United States and the EU. The deep economic and political decline of the UK before and especially after Brexit has the United States considering reliable, alternative agents for its European interests. Germany is the likeliest candidate if it could play that role without jeopardizing its dependence on exports to China.

Maneuvers inside Europe force the UK and each EU member to strategize how best to respond to them as well as to the United States and China. Oil and gas price inflation resulting from the US-EU sanctions against Russia intensified all these conflicts because they disadvantage Europe relatively more compared to the other players in the world economy and also European nations vis-à-vis one another.

Secondary themes distract many from grasping the global reorganization now underway. Among these are principles like “national self-determination,” “freedom of the seas,” and “rules-based international order.” They serve mostly to hide the global reorganization as if, suddenly, such principles were the dominant reality requiring protection. The principles, rather, provide convenient veneers for another period of great power realignments like those witnessed in capitalism before.

Excerpted: ‘The Economic Realities We Face at the End of 2022’.

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