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Long Term Trends in the Era of Neoliberal Capitalism Decline

The global capitalist economy is at an historical juncture. The global economic restructuring that began roughly four decades ago—often associated with the term Neoliberalism—has run its course. Three crises in succession in roughly the past decade has disrupted it to its core: the Great Recession and financial crash, the Covid Crisis, and the NATO-Russian war in Ukraine and its associated global sanctions and emerging bifurcation of the global capitalist economy.

Originating in the American-Anglo economies in the late 1970s—thereafter spreading to a lesser degree to other advanced capitalist economies—the Neoliberal restructuring of the capitalist economy began in the late 1970s/early 1980s, occurring as a response to the prior global economic crisis of the 1970s. Neoliberal restructuring sought, and largely succeeded, in reordering inter-class economic relations domestically between capital and labor within the advanced capitalist economies—the US and UK in particular—as well as intra-class between capitalist classes globally. The Neoliberal economic restructuring thereby re-established the dominance of US Capital over Labor and popular movements at home, while restoring firmly the hegemony of US Capital over its capitalist competitors abroad.

These relative shifts in inter- and intra-class relations expanded and deepened over the next three decades from roughly 1980 to 2007-08, largely to the benefit of US capitalists. Neoliberal restructuring is thus best understood as a class-based consequence of the US Imperial project—and not as a form of 'globalization'—the latter a term which obfuscates the essential class-based imperialist nature of the Neoliberal regime with its unique historical mix of fiscal, monetary, industrial, and external (trade/currency) policies.

During its expansion phase from roughly 1980 to 2008, however, contradictions associated with Neoliberalism's specific policy mix and class relations also deepened. Those contradictions intensified after 2000, thereafter visibly erupting in the global financial and economic crisis (aka Great Recession) in 2008-10 in the US, in 2008-15 in Europe and Japan, and in other near-advanced capitalist economies at different times between 2008-15.

The decade 2010-2019 that followed the Great Recession and financial crash was characterized by chronic slow rates of real growth compared to the prior decades; growing debt levels (sovereign, corporate & household) and debt-servicing problems; a widening shift toward financial asset investment relative to real asset investment; global trade wars and inter-capitalist competition; growing income and wealth inequality between classes; intensifying exploitation of working classes and weakening of working class unions and parties; and a decline in the efficiency and effectiveness of traditional monetary, fiscal, and other economic policy 'tools' in stabilizing and growing the economy.

The weak and uneven global recovery of 2010-19 subsequently hit another, second wall with global Covid health crisis and deep recession of 2020-21. Neoliberalism became further unstable and its contradictions—rooted in the trends above—intensified further. A third shock to the global capitalist economy quickly followed the Covid crash. Just as a recovery of the global economy tentatively began in mid-2021, the Ukraine war and US/G7 economic sanctions on Russia and its economic partners erupted in 2022 further destabilizing global supply chains, goods trade and money capital flows.

The global capitalist economy has yet to realize the full consequences of its triple crisis of its past long decade—i.e. the slow partial economic recovery post-2010, the immediately subsequent Covid economic crash of 2020-21overlaid on that weak recovery of 2010-19, followed by the third shock to global capitalist trade and financial relations that occurred in 2022 in the form of war and sanctions which continue.

Some Key Longer Term Economic Trends

To place in context the current juncture of the global capitalist economy, it is necessary to understand some of the more important Capitalist trends and conditions of the past four decades. These eight trends include:

+ Global capitalism never fully recovered from the Great Recession that erupted in 2008. In the advanced capitalist economies in particular real annual GDP growth was roughly half the average growth of the preceding quarter century, 1982-2007. Growth post-2008 was characterized by repeated short, shallow recessions followed by weak, partial economic recoveries.

+ The decade 2010-19 was quickly followed by the deeper Covid precipitated global economic shutdowns—occurring from March 2020 to April 2022 in the G7 economies and until December 2022 in China. The Covid economic crisis in turn resulted in major structural changes in product and labor markets globally, further restraining long term economic recovery while simultaneously generating inflationary pressures not seen since the final stage of the crisis of the 1970s.

+ During the post-2008-10 period and the Covid crisis overlay, it has become increasingly evident that Capitalism's traditional economic tools (fiscal, monetary and trade/currency exchange rate policies) for stabilizing business cycles and ensuring financial stability have become progressively less efficient in achieving their official targets. Inefficiency in this regard refers to the condition that it takes a greater amount of fiscal-monetary stimulus to generate a smaller positive response in economic growth over time; and, conversely, a greater amount of fiscal-monetary contraction is required to generate slower rate of inflation. In short, the Covid crisis and recession of 2020-21 further exacerbated the growing inefficiency of fiscal-monetary policy responses. So too has the subsequent shock of war and sanctions that commenced in 2022 and the apparent objective of US/G7 to bifurcate the global economy goods and money flows.

+ Capitalism has become increasingly financialized during the Neoliberal era (1979-2022), shifting in relative terms toward financial asset investing—i.e. creating money capital profits—at the expense of real asset investing that creates goods & services that produces jobs, real income, and profits from non-financial activity. The financialization of global capital has spawned an accelerating array of new forms of financial instruments, new financial institutions to buy and sell those instruments, and a new economically and politically powerful global finance capital elite as the agents behind it. Financialization results in the crowding out real investment in goods and services by diverting money capital to financial asset markets (stocks, bonds, forex, derivatives, etc.).

+ Technological change is becoming the pre-eminent 'Force of Production' in late 20th century-early 21st century capitalism. It has enabled the global financialization, launched new product lines, begun replacing fiat money with digital, and has radically changed economic relations at work to the detriment of working classes by enabling widespread precarious employment, gig work and, most recently, what will be the displacement of tens of millions more workers who have been engaged in simple decision making occupations. Software machines capable of self-maintenance, self- educating, communicating in natural language, and reproducing themselves will displace decision making by human labor. By 2030 no less than 30% of all occupations world wide will be negatively impacted.

+ Capitalist exploitation of the working class has been intensifying, expanding both traditional as well as new forms of labor exploitation. Traditional forms of exploitation have been intensifying. So too have forms of secondary exploitation as capitalists develop new ways to claim and take back wages previously paid. Real wages are compressed over time and the average standard of living reduced. The magnitude of the income transferred from labor to capital in the US alone is reflected in Fortune 500 corporations returning to their shareholders from 2010 through 2019 an amount of no less than $15 trillion in stock buybacks and dividend payouts.

+ The chronic slower growth trend post-2008, the bouts of financial markets instability, and the multiple recessions—moderate and deep—have weakened the hegemony of US imperialism. As more national economies seek economic independence or dare challenge that hegemony, US elites have responded increasingly aggressively and violently—engaging in domestic political destabilization of regimes, employing direct asset seizures, economic and other sanctions, and initiating wars either directly or by proxy. These responses by US imperialists are resulting in further drag on global economic growth and are destabilizing global trade and currency flows.

+ As the global capitalist system has become more unstable economically, political instability has followed in turn—both within and between capitalist nation states. Rightward shift in political parties, movements, media, and capitalist states' governments are occurring in more countries world-wide. Democratic political relations are deteriorating. Forms of even limited capitalist democracy are increasingly less tolerated by elites and are being neutralized or removed. As the Neoliberal economic order unravels, so too do the social and political relations based upon it.

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