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IMF report: Global growth lowest since 2009

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Eight years ago this month, the investment bank Bear Stearns announced that it would liquidate two of its hedge funds involved in trading mortgage-backed securities. It was one of the first major signs that the collapse of the subprime mortgage bubble would trigger a broader crisis of the US and world financial system.

Now, nearly seven years since the bankruptcy of Lehman Brothers and the taxpayer-funded bailout of the global financial system, the US and global economy appears poised on the verge of another economic collapse. China's stock market is imploding, Greece is in the midst of a bank shutdown, economic growth in the US has stalled, capital flows to emerging countries are drying up, and military conflicts throughout the world threaten major economic disruptions.

This state of affairs demonstrates the correctness of the assessment made by the *World Socialist Web Site* that the financial crisis that erupted in 2008 was not merely a conjunctural downturn, but rather reflected a deeply-rooted crisis of the global post-war order itself.

It is against this backdrop that the International Monetary Fund (IMF) released its latest World Economic Outlook report, predicting that 2015 would be the worst year for global economic growth since 2009.

Year after year, the IMF and other analysts have declared that a significant pickup in global economic growth is imminent. This year, yet again, the organization was forced to admit, in its characteristically understated language, that “The projected pickup in global growth... has not yet firmly materialized.”

The IMF said it expects the global economy to grow at a rate of 3.3 percent this year, 0.2 percentage points lower than the IMF’s prediction in April, and down from 3.4 percent last year.

The IMF reduced its growth outlook for developing countries sharply, from 2.4 percent in April to 2.1 percent in the latest assessment. The report also significantly reduced its outlook for four advanced economies: the US, UK, Canada and Japan.

The IMF said the biggest factor in the reduction in the growth outlook was the poor performance in North America, led by a sharp fall in US growth. The IMF expects the US economy to grow at a rate of 2.5 percent this year, significantly lower than its April forecast of 3.1 percent.

Growth in the US has stalled in the first quarter, with economic output falling at an annualized rate of 0.2 percent, and early indicators show little improvement in the second quarter.

While the IMF attributed the decline in US economic output to a host of “one-off” factors, the fact remains that 2015 is the second year in a row that the US economy grew much more slowly than expected.

The economic debacle in the US in the first quarter of this year was caused by a collapse in infrastructure investment, which fell by 2.8 percent, even as US corporations sat atop a cash hoard of $1.4 trillion. The *Wall Street Journal* recently reported that US corporations spent more on share buybacks this year than on factories and equipment.

The IMF report struck a particularly concerned tone, however, regarding the prospects for “emerging” economies. It notes that “the continued growth slowdown reflects several factors, including lower commodity prices and tighter external financial conditions, structural bottlenecks... and economic distress related to geopolitical factors.”

This last point is particularly significant. War and violence cost the global economy $14.3 trillion, or 13.4 percent of total economic output, last year, according to one study. This is the result of growing conflicts in Eastern Europe, the Middle East and North Africa. The Russian economy is expected to shrink by 4.8 percent this year under the weight of sanctions related to the conflict in Ukraine and sharply reduced oil prices.

Other emerging economies face similar difficulties. Brazil’s economy is expected to contract at a rate of 1.5 percent this year, half a percentage point worse than the IMF had predicted in April. Significantly, the IMF report warned that capital flows to emerging markets have fallen sharply in 2015 compared to the year before.

The most pressing concern currently weighing on markets is the disastrous sell-off in the Chinese stock market, in which share values have plummeted by 30 percent over the past month, with Chinese authorities scrambling to stop the rout.

Even while admitting the significant reductions in economic output that have already occurred this year, the IMF report warns, “The distribution of risks to global economic activity is still tilted to the downside,” including most notably “financial market volatility,” a code word for the danger of a global financial sell-off.

What does the IMF recommend in response to the disastrous state of the global economy? Nothing but more of the same: continued infusions of cash into the global financial system by central banks, coupled with more austerity.

The report declares, “In advanced economies, accommodative monetary policy should continue to support economic activity and lift inflation back to target.” This assessment follows the call by the IMF earlier this week for the US Federal Reserve not to raise interest rates, which have been at zero for more than six years, until 2016 at the earliest.

The call for easy money for the financial system was coupled with demands for more pro-business reforms, with the report declaring, “Structural reforms to raise productivity and remove bottlenecks to production are urgently needed in many economies.” This amounts, in effect, to an argument for extending the types of austerity being imposed on Greece onto the rest of the global economy, with predictably disastrous consequences.

Nearly seven years after the 2008 financial crisis, none of the institutions of the capitalist system have any solution to the world economic crisis, besides seeking to keep the global financial bubble inflated through cash handouts to Wall Street and austerity directed against the working class. This policy, dictated by capitalism’s basic aim of enriching the financial oligarchy at the expense of the great mass of society, is leading to another financial and economic collapse.