CHAPTER 12

The Three Dimensions of the Crisis\(^1\)

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Since the banking debacle in 2008, there have been numerous signs that capitalism is experiencing a systemic crisis. The upheaval reflects more than just the collapse of the financial sector or the exhaustion of a regime of accumulation; rather it is at once a social, geopolitical, and environmental crisis. But what are the links between these different phenomena? What are the relationships between the various imbalances at play? This chapter seeks to clarify these connections, drawing a distinction between the conjunctural, structural, and historical aspects of the upheaval, aiming to highlight how these different crises are intertwined.

The first section analyses the immediate causes of the tremor, investigating how financial hypertrophy, the overproduction of commodities, and escalating trade imbalances have created short-term tensions. The second section addresses the structural causes of the crisis, based on the transformations of capitalism during the neoliberal period of the last twenty years. It argues that the changes that have taken place under capitalism during this period have produced unique imbalances, both in the sphere of demand and in the rate of profit. The third section puts forward several hypotheses regarding possible outcomes, describing which reforms are likely to resolve structural contradictions and which are likely to prolong them, particularly regarding whether the world economy is entering a deflationary context or inflationary context. I also challenge here both the neoliberal and Keynesian interpretations of the upheaval. The conclusion investigates the historical scope of the crisis, putting special emphasis on the dramatic consequences of environmental destruction, and it explains why global warming poses a threat to civilisation that is comparable to other destructive tendencies of capitalism. I conclude with an analysis of the prospects of a new anti-capitalist popular project rooted in eco-socialism.

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\(^1\) This essay is a shorter version of “Three Dimensions of Crisis” published at www.lahaine.org/katz on 2 May 2010. Translated from Spanish by Shana Yael Shubs and Ruth Felder.
Overproduction and Trade Imbalances

The current crisis erupted in the US financial sphere in mid-2007, when it became clear that there were great difficulties paying off subprime loans. Loans granted to non-creditworthy borrowers first swelled the list of high-risk operations and then triggered an avalanche of arrears. The holes that appeared in small US banks spread to the large institutions and eventually shook the entire international system. In late 2008, the bankruptcy of Lehman Brothers unleashed a large-scale collapse, creating a widespread sense of impending breakdown. This impression diminished after massive state relief was granted to the bankrupt institutions. After the bailout, some economists proclaimed the end of the crisis. But instability persists, which is conjuncturally related to tensions created by over-accumulated capital, over-produced commodities, and uneven exchange.

The current crisis has unleashed the most important global recession of recent decades, with enormous contractions in production in the United States, Europe, and Japan. This regression hit bottom in the middle of 2009, but the rebound to recovery is not complete. Credit has not returned, consumption remains contracted, and the lack of investment persists. This conjuncture is reflected in a very popular remark: ‘Wall Street prospers while ordinary people suffer’.2

The overall performance of the global economy continues to be determined by developments in the three central regions that produce two-thirds of the global GDP. Economic growth in the poorest and most dependent peripheral countries in Africa, Asia, and Latin America has scant impact upon the overall level of productive activity. Yet these nations have been shaken once again by an external phenomenon with dramatic domestic impacts. They suffer from reduced exports, remittances, and international aid. But most striking is the magnitude of certain social tragedies, such as the spread of hunger produced by higher food prices.

What is principally new about the crisis is the emergence of a third bloc of countries, led by the so-called BRICS (Brazil, Russia, India, and China), which oscillate between the two traditional poles of centre and the periphery. The lesser impact of the financial crisis upon these countries has renewed the debate about coupling, decoupling, or recoupling these regions to the world economy. There is widespread interest in the future of China, in particular. The new Asian power kept itself afloat during the crisis, although growth rates have been below average compared to recent years. Nonetheless China still

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2 Reich 2010.