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Deglobalization and the “Great Stagnation”

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ABSTRACT

Modern capitalism is going through a crisis of globalization. The activity of world trade and capital flows is decreasing, protectionist tendencies are growing, countries confront each other in currency wars and sanctions regimes. This originated from the extensive nature of the capitalist development of the latest decades through subordinating the non-capitalist periphery, its markets and sources of natural resources, using low-cost labor. It intensified the contradictions of the economic development of both the core and the periphery of the world economy: growing inequality, financialization, unemployment, slowdown in scientific progress and caused the long lasting “great stagnation,” which can be identified by the lower growth rate of the world GDP after 2008.

The Nature of Globalization

The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. (Marx and Engels 1848)

This famous quote from the Communist Manifesto, written in the middle of the nineteenth century, reflected the subsequent history of capitalism—the history of globalization.

Some researchers consider economic globalization only as a modern stage in the world economy development—the apogee economic relations internationalization (Nekipelov 2001, 1). Globalization is often attributed to the unique properties of consumer tastes unification, increasing the power of corporations, the sharp rise in wealth and poverty, the “McDonaldization” of food and culture, the dominance of market fundamentalism in the policies of states (Shalmali 2007, 524). The IMF (International Monetary Fund) describes globalization as the growth of mutual integration of economies, the development of cultural and scientific cooperation (IMF 2008). Of course, these and many other features distinguish the current stage of development of the capitalist mode of production from the previous ones. However, despite this, globalization, in the modern form
is a natural result of the world economy evolution over previous centuries, when the basis of the contradictions that are becoming the challenges for all of humanity today was laid.

The Age of discoveries (fifteenth to eighteenth centuries) has opened up unlimited sources of raw materials and markets to European countries; exchange relations overcame state borders. Late nineteenth—early twentieth centuries—the era of “overriding” of capitalism in the metropolitan areas, the export of capital to the backward agrarian countries that have become “the fuel” for the metropolis industrialization. The gradual narrowing of the “forage base” forced monopoly capital to start repartition of the world, using the power of national states; this became the source of two world wars. Hereafter, a significant drop in the average rate of return by 1970–1989 (Komolov 2017, 40) forced Western capital to expand into the agrarian Asian world. This step, along with the inclusion of the countries of the collapsed socialist bloc in the international division of labor, allowed Western corporations to significantly reduce costs, expand sales markets and gain new growth momentum.

**Era of Deglobalization**

The period from the 1970s is often called neoliberalism. D. Kotz describes this phenomenon as a combination of rapid financialization and globalization of the economy (Kotz 2015, 32). He mentions the main features of neoliberal globalization:

- greatly increased international trade, increased flows of capital across national boundaries (particularly speculative short-term capital), and a major role for large TNCs in manufacturing, extractive activities, and finance, operating worldwide yet retaining in nearly all cases a clear base in a single nation-state. (Kotz 2002, 74)

And it proves that from 1970s to 1990s these trends intensified from year to year. However, a backward motion replaced this trend, when one of the deepest crises in its history struck the global economy. The last eight years in the history of capitalism can be called the period of deglobalization, which is expressed in the extinction of international economic relations—the main feature of globalization (see Figure 1)

Having reached its peak in 2007—51% of world GDP—in two years of crisis, the intensity of world trade and investment fell by almost half. After a slight recovery in 2009, there was a steady decline to 30.7% in 2018.

The decline in the intensity of world trade and investment has also affected the global value chains, which role in the world economy has decreased in recent years. Thus, according to the WTO, the share of net national production in world GDP fell from 86% to 79% over the 1995 to 2007 period (IMF 2008). However, after 2008 it increased by two percentage points. At the same time, the share of complex value chains (with a multiple crossing of customs borders by an intermediate consumption item) fell by two percentage points (WTO 2017). This circumstance affected the financial results of the companies: from 2011 to 2016, the profits of 700 TNCs based in developed countries fell by 25%. At the same time, the profits of national companies grew by 2% (London Stock Exchange 2018).

Such data does not look surprising and is confirmed by the latest trends in the state regulation of foreign trade in different countries. According to Global Trade Alert, over the 2010 to 2019 period, about 9000 measures were taken by states to regulate
foreign trade, cross-border capital flows and migration. 3/4 of them were protectionist, i.e., were aimed at limiting the market freedoms (see Figure 2).

Restrictive measures focused primarily on anti-dumping policies, import tariffs, quantitative restrictions, stimulating the local production through public procurement and

Figure 1. The ratio of total global flows of goods, services and capital to world GDP (%). Sources: IMF (2020), WTO (2020), and World Bank (2020a).

Figure 2. Regulatory policies measures of states in foreign trade, investment and migration in the world. Source: Global Trade Alert (2020).
government lending. The enterprises of ferrous metallurgy and chemical industry, as well as manufacturers of machines and equipment, household appliances, received protection from external competition. Among the countries of the G20, the discriminatory measures were taken most actively by the United States, India and Russia (40% of all measures) (Evenett and Johannes 2017, 15).

The protectionist policy in the United States began to strengthen even before D. Trump won office. During the second term of B. Obama’s presidency, the number of restrictive measures against the G20 countries increased from 50 to 150 from 2013 to 2016. At the same time, other G20 countries also pursued policies that contradict both the interests of American companies and aimed against each other. The number of such practices increased from 509 to 877. They mostly consist in artificial barriers in foreign trade: technical regulations and standards, criterion of fitting. In general, 96% of cross-border trade flows today are subject to non-tariff regulation to a greater or lesser extent. Compliance with such requirements often becomes impossible for small and medium-sized businesses, as well as to producers from technologically backward countries. This results in annual losses of $23 billion (or 15% of total exports) (ICTSD 2018). The next stage in the aggravation of the economic struggle between the countries was D. Trump’s decision to introduce barring import tariffs on steel and aluminum in 2018 in the amount of 25 and 10%, respectively. In January they were expanded (Swanson 2020). Earlier, the US president restricted the import of solar panels and washing machines into the country by 30% (Groom 2019) and announced additional tariff duties on 100 items of products purchased from China, for a total amount of $60 billion (Paletta 2018). As a result, the Purchasing Managers’ Index (a monthly survey of purchasing and supply executives that measures new orders and changes in levels of production and supply inventories) for the US economy decreased by 5 percent points by the end of 2019 (Reuters 2020).

Such situation in the world economy contradicts the goals of the WTO, which imply the abandonment of discrimination in foreign trade, the creation of an open, transparent and predictable environment for the international movement of goods, services, capital and labor. European officials express outrage against aggressive protectionism in American economic policy and intend to seek the lifting of restrictions in the WTO court. And the European press explicitly declares that Trump declared war on the World Trade Organization (Millar 2018). However, as was shown above, tensions in the global economy had been growing for several years before, and the statements of Trump, the president defending the interests of American capital, just reflect the growing contradictions between the business interests of the world economy actors.

The economic sanctions that have been actively introduced by the Western world against Russia in recent years come into collision with the philosophy of globalization. The prohibition of access for Russian companies to European and American banks’ lending as well as the response embargo on the supply of a number of food-stuff to Russia have little in common with the global economic integration. On the contrary, the states are entering into an increasingly tough confrontation with each other. This is also manifested in the ongoing currency wars, which the then head of the IMF, D. Strauss-Kahn, called the real threat to the post-crisis recovery of the global economy in 2011. He argued that it was necessary to move to a single world currency, which would avoid the development of a global crisis, which could be caused by global imbalances, volatility of capital
flows, a race of interest rates, the rapid accumulation of excess reserves in order to devalue the national exchange rates of exporting countries (The Guardian 2011). In 2013, Japan began to pursue a policy aimed at devaluing the yen, when its rate against the dollar fell by 13% over 5 months (Rooney 2013). In 2015, the quantitative easing policy of 60 billion euros by the European Central Bank was evaluated by a part of the expert community as a devaluation measure. In the same year, China devalued the renminbi by 3% (Financial Times 2017). Russia also supports the undervalued ruble: the Central Bank increased the foreign currency reserves by 20% after their sharp reduction in 2014 during the exchange rate fall (Central bank of Russian Federation 2018).

The confrontation is growing not only at the global, but also at regional levels. The idea of openness and economic freedom causes more and more criticism in the European Union. Euroskeptics—mostly extreme right-wing, nationalist-oriented parties—are becoming increasingly popular in France, Germany, Hungary, Poland, Italy. The climax of the European integration crisis was Brexit. Economic integration among the post-Soviet countries has a hard time doing. Despite periodic media reports about the desire of a country to join the EEU (the European Economic Community), the union continues to consist of the same five countries that created the Customs Union in 2010: Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan. Many researchers are skeptical about the prospects of the project, in which mutual trade activity fell in 2015 by 7% (Matlack 2014). It is also noted that the participants of the EEU are not ready to give up a part of economic sovereignty. So, the idea of creating a monetary union based on the EEU failed. For example, Kazakhstan strongly opposed the formation of supranational bodies of monetary regulation. This position seems reasonable, given the fact that the impact on the national currency rate is an important tool for regulating the economy as a whole and foreign trade in particular, and the importance of these tools has greatly increased during the rise of protectionist trend in the global economy.

**Expanding Capitalist Production: Theoretical Aspect**

Thus, the era of open markets and the free movement of production factors have stumbled upon some barriers so far. And in order to predict the future of globalization, it is necessary to understand the causes of this crisis. In our opinion, the problems faced by the modern economy are not just the result of previously accumulated contradictions. They reflect the contradictions of the extensive model of capitalist development, which source of growth has been the constant expansion of its borders. Its development was largely extensive, based on the inequality of its participants and the so-called phenomenon “dependent development.” As mentioned above, capitalism went through several stages of its development, and each of them was accompanied by the inclusion of an increasing number of countries in the international division of labor and industrial production. This periphery became the source of development for the core of this system.

The problem of the dependence of capitalism on the constant expansion of its periphery at the beginning of the twentieth century was marked by Marxist political economists. In “Imperialism, the Highest Stage of Capitalism,” V. Lenin (1917) cited the territorial division of the world as one of the signs of a new, imperialistic stage of capitalist development. This circumstance, in his opinion, inevitably gives rise to a war for a new redistribution and the emergence of monopolistic unions dividing the world among
themselves. The fidelity of this thesis is constantly confirmed by the events on the world stage, ongoing wars, geopolitical crises, confrontations between countries in which merging of interests of states and monopolies is manifested in the most illustrative form. By the beginning of the twentieth century, over 35% of the world’s population lived in colonies and another 22% in semi-colonies (Lenin 1917). The largest colonial powers of that era were England and France. The colonies were subjected to brutal exploitation by the countries of the metropolis, which turned them into raw materials appendages and distribution areas.

An important component of the era of colonialism was the phenomenon of capital export. It is determined by the process of “overriding” capitalism of the metropolises, which seeks profitable investment of capital in backward countries. Thus, Lenin created the groundwork for correcting some of the omissions in the Marx analysis of capitalism. In the preface to the first edition of Capital, Marx wrote that a more industrially developed country shows a picture of its own future to a backward country. However, in the state-monopoly stage of capitalism, this situation becomes unlikely. Monopolies seizing the resources of their colonies deprive them of their sources of growth and development and so the possibility of building an identical model of capitalism. In fact, the metropolis initially suppressed the development of the economies of the enslaved. The West has built itself from the material of the colonies, withdrawing their resources for creating strong capitalism. The lot of the colonies was underdeveloped. There was build a specific model of peripheral capitalism, dependent on the countries of the core (Gloveli 2018, 92).

The fall of colonialism did not essentially eliminate the dependence of the backward countries on the capitalist core. “As long as imperialism exists, it will, by definition, strive for domination over other countries. This domination is called neocolonialism today”—E. Che Guevara declared in 1965 (Gevara 1965). A country like Bangladesh is an example of neo-colony, and its economic model is peripheral capitalism. Bangladesh labor work in garment factories at a salary of $30–40 per month (Euronews 2013). The absence of labor protection standards and non-observance of safety regulations regularly lead to mass death of people at work. Bangladesh is the second largest textile manufacturer in the world after China. The country’s clothing industry is exported to the United States and the EU (European Union) in billions of dollars annually.

A contribution to the development of the theory of imperialism was made by R. Luxemburg (1913). She focused the issue of materialization surplus value under capitalism, which overcame the borders of national states. Her theory, based on Marxist ideas about the nature of capitalism, relies heavily on the thesis of A. Smith on the natural boundaries of the division of labor and the theory of “third parties” by T. Malthus (1836). On the one hand, the source of development of the capitalist economy is the constant deepening of the division of labor. The Italian economist A. Serra put the number of crafts, that is, the depth of the division of labor on the first place among all the factors determining the economic prosperity of the country. He stated that numerous and various crafts will bring money to the state or city if they produce the necessary means of subsistence, comfort and luxury items in such sizes that exceed the needs of the country (Serra [1613] 1953). A. Smith developed this proposition by pointing out that, at the same time as productivity growth, the division of labor increases the risks of economic system stability as a whole, as it forces the manufacturer to integrate into increasingly complex production chains, where the success of the sale of its products is not so much connected
with its mastery and management skills how much with the situation of its other participants (Smith 1776, 21–27). As a result, when the degree of risk becomes so great that further movement along the path of division of labor becomes impossible, investment flows stops and the capitalist system will be at an impasse. The way out of this deadlock exists only for the national system, since it has the opportunity to expand at the regional, and then at the international level. However, such an expansion will certainly reach its limits and stop.

On the other hand, for a self-reproducing market economy, it is necessary to sell part of the value of the goods, which exceeds production costs and is a source of profit. According to T. Malthus, it cannot be acquired either by workers who are able to buy only part of the value produced by their labor, or by capitalists, since they seek to minimize personal consumption for the sake of capital accumulation Malthus (1836). Thus, in order for all the manufactured product to be sold, “third parties”—and owners, bureaucracy, generals—must be present in the economic system. Their unproductive consumption allows a market economy to remain in equilibrium.

By integrating these propositions into the Marxist model of expanded reproduction, Luxembourg tried to improve Marx’s theory of capital accumulation, which abstracted from an analysis of foreign economic factors. The main blow of criticism was taken by the following Marx:

> Capitalist production does not exist at all without foreign commerce. But when one assumes normal annual reproduction on a given scale one also assumes that foreign commerce only replaces home products by articles of other use or bodily form, without affecting value-relations. . . . The involvement of foreign commerce in analysing the annually reproduced value of products can therefore only confuse without contributing any new element of the problem, or of its solution. For this reason, it must be entirely discarded. (Marx 1867)

Luxembourg argued that it was international trade that became the sales channel for surplus value, which, in her opinion, could not be materialized within the national economy. She asked who was the buyer, the consumer of that part of all public goods, the sale of which only makes accumulation possible, and he answered that neither the workers nor the capitalists were. Those are the representatives of the non-capitalized part of the economy, countries that are at the pre-capitalist stages of development. Hence, it defines imperialism as the political expression of the process of capital accumulation in its competition for the remnants of a non-capitalist world environment (Luxemburg 1913). This is where begins the thesis the automatic collapse of capitalism that Lenin criticized.

Lenin criticized Luxembourg’s (1913) approach even before her “The Accumulation of Capital” was published, since similar ideas in Russia were promoted by representatives of Narodism. He argued that the problem of over-accumulation, expressed in crises of overproduction, was caused not by a shortage of markets, but by the anarchy of capitalist production and the deviation of price from value. In the long run, capitalism itself is capable of unlimitedly expanding demand: its main source is capitalists, who acquire more and more means of production in the process of capital accumulation. Thus, in capitalism, production for the sake of production arises—a contradiction that R. Luxemburg never understood. Lenin stated that this was not a contradiction of doctrine, but of real life; this was precisely such a contradiction that corresponds to the very
nature of capitalism and the remaining contradictions of this system of social economy. It was this expansion of production without a corresponding expansion of consumption that corresponds to the historical mission of capitalism and its specific social structure: the first is the development of the productive forces of society; the second excludes the disposal of these technical gains by the mass of the population (Lenin 1908).

However, Luxemburg’s idea that capitalism needs to expand constantly for the sake of self-reproduction is not a mistake. It was formulated by Engels:

> Capitalist production cannot stop. It must go on increasing and expanding, or it must die. Even now the mere reduction of England’s lion’s share in the supply of the world’s markets means stagnation, distress, excess of capital here, excess of unemployed workmen there. What will it be when the increase of yearly production is brought to a complete stop? Here is the vulnerable place, the heel of Achilles for capitalist production. Its very basis is the necessity for constant expansion, and this constant expansion now becomes impossible. It ends in a deadlock. Every year England is brought nearer face to face with the question: either the country must go to pieces, or capitalism must? (Engels 1885)

However, here Engels is not talking about sales growth in general, but the problems of selling goods on foreign markets in the conditions of the Long Depression of 1873–1896—the crisis of overproduction, which has taken on an international scale. Under imperialism, the external sector begins to play primarily the role of a place of investment, and the export of goods is supplanted by the export of capital. Thus, the agrarian periphery here serves as a source of surplus value in the conditions of a fall in the average rate of profit, when the growth of capital-labor ratio in the countries of the center reduces the return on advanced capital and requires a more profitable application due to the use of mass and cheap labor.

### The Contradictions of Extensive Growth

Today we are witnessing how commodity production relations have covered the entire territory of our planet, and almost all countries of the world are in one way or another included in the international division of labor. The wider and deeper it becomes, the greater the impetus the capitalist economy receives in its development. Graduated from the absorption of Latin America and Africa, world capitalism once reached the limits of its own expansion. In the latter half of the twentieth century, this resulted in a long-term decline in the average profit rate in the US economy, which had reached a value of 2.9% by the 1970s (Komolov 2017, 41).

At the same time, the Western world experienced the oil crisis and the problem of stagflation. The protracted way out of the crisis once again posed the problem of expansion for the capitalist economy. And it happened in the next decades, when Asian countries were first included in the international division of labor, first of all the People’s Republic of China, and then the republics of the collapsed Socialist block. As a result, the Western world got giant markets, as well as large-scale sources of raw materials and low-paid labor. This has greatly reduced the costs for western corporations. Thus, import prices for the US economy from 1970 to 2017 grew 1.6 times slower than the rate of inflation (FRED 2018). In addition, during the years of intensive growth of the world economy, the developed countries of the capitalist core became the place of application of export earnings of the peripheral economies, which had stable trade surpluses. As a result, in the pre-
crisis decade, many of the developed countries turned into net importers of capital, which was invested in the securities of major companies and government bonds, becoming a source of their development. For example, in 2019 about 60% of Russian gold and foreign exchange reserves were invested in the bonds of France, Germany, the United States, Japan, Canada, Finland, and the UK (Central Bank of Russian Federation 2019).

The result of the new round of globalization was the rapid growth of the world economy and the rapid increase in the rate of profit, which in the 2000s in the United States again reached the post-war level (Komolov 2017, 41). However, the rapid growth of the world economy, following the expansion of the capitalist world in the 1970–1990s largely was not provided neither by the qualitative, structural development of the world economic system, nor by the transition to new resource-saving technologies, but by the deepening exploitation of the world periphery by the capitalist core. The development of capitalism in this era was largely parasitic in nature, which in turn led the world to the deepening and aggravation of socio-economic contradictions, which resulted in the global crisis. The global economy has not still recovered from the crisis: from 2000 to 2008 the average growth rate equaled to about 3.5% annually; from 2009 to 2018—2.5% (World Bank 2020a).

The massive movement of industrial enterprises from the United States and European countries to the Asian world became possible due to the rapid expansion of the global labor market. According to R. Freeman, this led to a drop in the capital-labor ratio in the world by 61% (Freeman 2008, 2), and Chinese industry began to develop extensively, involving an increasing proportion of the agrarian population in production processes based on labor-intensive technologies. Low-cost labor has allowed Western corporations to minimize costs, influencing firms’ investment strategies. As the advantage of low-paid labor appears only in terms of its large-scale use, investors have reduced interest in the development of new technologies.

Thus, the increase private fixed investment in information processing equipment and software—the leading branch of modern science—in the United States have been declining in recent decades. The only period of rapid growth—the late 1990s—was largely speculative in nature and ended with the financial bubbles and the famous Dotcom Bubble (see Figure 3).

The American government also shows little interest in investing in high-tech sectors of the economy. Budget expenditures on research and development (R&D) over the 1970 to 2015 period decreased from 11.8% to 3.7% (White House 2019). The end of the cold war and the restriction of US military could explain this spending, however, in non-defense sectors, there was also a negative trend: budget expenditures on R&D fell from 5.9% to 1.8% over the same period (Economic Policy Institute 2018). At the same time, there is a general decline in the growth rate of investments in fixed assets in the American economy. In the post-war period, they grew by an average of 4% per year until the 1970s. In the pre-crisis period, the growth equaled to 2.9%, and since 2007 the value has been fluctuating around the 1.8% mark. Simultaneously, the growth rates of labor productivity fell. During the post-war period, there was a 3.3% increase per year. In the last decade, this figure fell to 1.3% (FRED 2019b).

Structural changes in American industry have influenced the US labor market. The advantage of cheap labor has enabled American corporations to put pressure on the national working class, which has found itself in a vulnerable position. So, if before
the 1970s, the growth rate of real wages in the US economy approximately corresponded to the growth rates of labor productivity, then since 1973 these indicators began to diverge greatly. The growth of wages has greatly decreased, and by 2016 the difference between the two indicators reached 1.6 times (International Labour Organization 2019). The combination of increased unemployment, reduced corporate taxes, and deregulated markets along with substantial and sustained entry of women into the labor force put downward pressure on real wages (Resnick and Wolff 2010, 174). The same trends appeared in European countries, where since 1991 the growth rate of real wages has lagged behind the growth rates of labor productivity by 23% (Eurostat 2019).

The composition of employment has also changed there: in the 1990–2010s the largest increase in jobs in the US economy occurred in the sector of the least paid and in the lowest-performing sectors, while in high-performance sectors jobs were almost not created or appeared in small numbers. This indicates a serious imbalance in employment in the economies of the Western world and calls into question the thesis of the transition of these countries to the post-industrial stage of development. The rapid release of labor from industrial production was not caused by the acceleration of scientific and technological progress and the replacement of manual labor with machine production. Manual labor was simply shifted from the shoulders of American and European workers to the shoulders of Asian and Mexican. As a result, a sharp discrepancy arose between the number of industrial workers who lost their jobs and high-tech jobs that the economy could offer them, thus exploiting their creative potential. Unemployment has become one of the main social problems of the Western world.

So, if in the post-war period and until 1973, the unemployment rate in Great Britain fluctuated around the 3% mark, then in the following decades it raised beyond the 10%
fluctuating in the corridor from 5% to 10%. Similar trends appeared in the economies of France, Germany, Italy and other European countries. For the US problem of unemployment was less acute, although in 2016 every sixth man of working age and with secondary education had no job (Economist 2016).

The American anthropologist D. Graeber (2013) notes that in recent decades European and American have shown alarming trends in employment. He connects this with the emergence of sets of new professions, which benefit for social development seem questionable. Graeber argues that in the last century the number of productive workers has decreased. However, this did not lead to a sharp reduction of the working day, as Keynes and Marx predicted:

At the same time, “professional, managerial, clerical, sales, and service workers” tripled, growing “from one-quarter to three-quarters of total employment.” . . . But rather than allowing a massive reduction of working hours to free the world’s population to pursue their own projects, pleasures, visions, and ideas, we have seen the ballooning of not even so much of the “service” sector as of the administrative sector, up to and including the creation of whole new industries like financial services or telemarketing, or the unprecedented expansion of sectors like corporate law, academic and health administration, human resources, and public relations. And these numbers do not even reflect on all those people whose job is to provide administrative, technical, or security support for these industries, or for that matter the whole host of ancillary industries (dog-washers, all-night pizza delivery) that only exist because everyone else is spending so much of their time working in all the other ones. (Graeber 2013)

D. Graeber introduced the concept of “bullshit jobs”—those forms of employment that carry little public benefit. One of the reasons for their emergence can be attributed to the threat of unemployment, which Western capitalism is facing. According to the research carried out in the UK in 2013, half of the workers out of 12,000 respondents said they did not see any social benefit from their activities. In addition, another survey, conducted among 230 thousand people in 142 countries of the world, showed that only 13% of people enjoy their work. At the same time, 37% admitted that they consider their work useless (World Economic Forum 2017).

Another consequence of globalization in recent decades has been the deepening of inequality in the world. However, it has a certain specificity. Mass investments directed from the core countries to the periphery of the capitalist economy—mainly to the countries of Asia, and the large-scale industrialization of these regions—contributed to the high rates of their economic growth. This made it possible to reduce the property gap between the core and the periphery. In general, over the 1970 to 2016 period the World Bank notes a decline in the number of people living in absolute poverty (less than $1.8 a day) from 44% to 10% (World Bank 2019). In 1980, Asian countries accounted for 27% of world wealth, and in 2016—49% already. The share of Europe decreased from 37% to 20% (see Table 1).

At the same time, interclass inequality within countries was rapidly growing. Such trends appeared both in the periphery and in the core of world capitalism. So, over the 2000 to 2017 period the number of millionaires in high-income countries increased by 3.6 million people, in poor countries—by 2.8 million. Simultaneously, the number of super-rich people (whose assets exceed $50 million) increased by 11 thousand people in high-income countries, and in poor countries—by 25 thousand (Credit Suisse 2017, 15).
According to Credit Suisse, over the 2012–2021 period, the number of the super-rich population of the planet will increase from 210 thousand to 300 thousand people—by almost 30%, and their cumulative wealth—from 26 to 37.6 trillion dollars (Credit Suisse 2017, 21). However, the general economic growth in recent decades has bypassed large groups of the population. According to McKinsey, the real income of two thirds of households in 25 developed countries of the world in 2005–2014 did not grow or even fell (Economist 2016). In American society, the assets of 10% of the richest people exceed the total wealth of the remaining 90%. Between 1978 and 2014, the income share of 1% of the population in France increased from 5.8% to 10.2%, and in China from 5.9% to 12.6% (Smith 2019). Gini index in China increased from 0.29 to 0.49 since 1970th, and in Mexico from 0.43 to 0.46. In Brazil, the Gini index remains one of the highest in the world—0.55 (The Wall Street Journal 2019).

The high level of external debt and the debt crisis aggravate the situation in the EU and US economies. In countries such as Great Britain, France, Switzerland, Germany, Italy, Canada, Sweden, Norway and others, the volume of external debt substantially exceeds the level of annual GDP (World Bank 2020b). The acute phase of the debt crisis of the EU, which came at the beginning of the 2010s, put several EU countries on the verge of default—Italy, Spain, Ireland, Greece and Portugal. The consequences of the crisis appeared in a sharp increase in unemployment, budget deficits and inflation. As a result, the EU’s total GDP in 2017 was lower than in 2008—16.4 against 19.1 trillion dollars. Among other reasons, an important source of the debt crisis has become such a structure of international capital movement, when the export earnings of less developed countries were invested in the core economies of world capitalism. The states of the periphery, which actively increased foreign exchange reserves to maintain national currencies undervalued, participated in this process. This made it possible for them to enforce the competitiveness of the export industries, but deprived the developing economies of significant sources of growth (Kotlyarov 2019).

In 2000th export-oriented countries of the periphery and semi-periphery (China, Russia, Saudi Arabia, Kuwait, Libya, Algeria, Nigeria, Venezuela, Iraq, Azerbaijan, Argentina, Oman, Bahrain, Ecuador, Botswana, Gabon, Nicaragua, Namibia, Peru, Haiti, Bangladesh and others) turned into net exporters of capital to developed countries (such as the United States, the UK, Spain, Italy, Australia, Finland, Ireland). In many ways, it was one of the reasons of financialization and the global financial crisis: capital from the periphery created a huge demand for core securities, causing overestimation of their market value (Komolov 2019, 333).
Conclusion

N. Chomsky, arguing about globalization, noted that it is the result of capital’s attempts to force trade and other agreements to people all over the world, so that corporations and the rich can easily dominate the economy of various countries without any duties to the society (Chomsky 2011, 8). The recent decades have shown, the parasitic nature the economic system not only creates threats to the long-term development of society, but also ultimately aggravates contradictions even among the beneficiaries of this model. Faced with a deep crisis of the 1970s core capitalism was able to find new sources to maximize profits. However, the methods that fueled this growth led to negative long-term consequences. The growth of inequality, the slowdown of scientific and technological progress, the debt crisis and financialization were the consequences of the extensive expansion of capitalism and the cause of the global crisis and the period of “great stagnation,” which can be identified by the lower growth rate of the world GDP after 2008. This forces big capital to start a new battle for the redistribution of the world, using nation states as weapons in this struggle. Yet the confrontation is growing mainly in the economic field, but no one can say with certainty that this economic struggle will not escalate into armed clashes. Consequently, Rosa Luxemburg’s statement re-acquires relevance: “Socialism or barbarism.”

Disclosure Statement

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Notes on Contributor

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