Economic Crisis. What Crisis? Profits Soar!

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While progressives and leftists write about the "crises of capitalism", manufacturers, petroleum companies, bankers and most other major corporations on both sides of the Atlantic and Pacific coast are chuckling all the way to the bank.

From the first quarter of this year, corporate profits have shot up between twenty to over a hundred percent, (Financial Times August 10, 2010, p. 7). In fact, corporate profits have risen higher than they were before the onset of the recession in 2008 (Money Morning March 31, 2010). Contrary to progressive bloggers the rates of profits are rising not falling, particularly among the biggest corporations (Consensus Economics, August 12, 2010). The buoyancy of corporate profits is directly a result of the deepening crises of the working class, public and private employees and small and medium size enterprises.

With the onset of the recession, big capital shed millions of jobs (one out of four Americans has been unemployed in 2010), secured give backs from the trade union bosses, received tax exemptions, subsidies and virtually interest free loans from local, state and federal governments.

As the recession temporarily bottomed out, big business doubled up production on the remaining labor force, intensifying exploitation (more output per worker) and lowered costs by passing onto the working class a much larger share of health insurance and pension benefits with the compliance of the millionaire trade union officials. The result is that while revenues declined, profits rose and balance sheets improved (Financial Times August 10, 2010). Paradoxically, the CEO's used the pretext and rhetoric of "crises" coming from progressive journalists to keep workers from demanding a larger share of the burgeoning profits, aided by the ever growing pool of unemployed and underemployed workers as possible "replacements" (scabs) in the event of industrial action.

The current boom of profits has not benefited all sectors of capitalism: the windfall has accrued overwhelmingly with the biggest corporations. In contrast many middle and small enterprises have suffered high rates of bankruptcy and losses, which has made them cheap and easy prey for buyouts for the 'big fellows' (Financial Times August 1, 2010). The crises of middle capital has led to the concentration and centralization of capital and has contributed to the rising rate of profits for the largest corporations.

The failed diagnosis of capitalist crises by the left and progressives has been a perennial problem since the end of World War II, when we were told capitalism was 'stagnant" and heading for a final collapse. Recent prophets of the apocalypse saw in the 2008-2009 recession the definitive and total crash of the world capitalist system. Blinded by Euro-American ethnocentrism, they failed to note that Asian capital never entered the "final crises" and Latin America had a mild and transient version (Financial Times June 9, 2010, p. 9). The false prophets failed to recognize that different kinds of capitalism are more or less susceptible to crises … and that some variants tend to experience rapid recoveries (Asia-Latin America- Germany) while others (US, England, Southern and Eastern Europe) are more susceptible to anemic and precarious recoveries.

While Exxon-Mobile reaped over 100% growth of profits in 2010 and the auto corporations recorded their biggest profits in recent years, the workers' wages and living standards declined and state-sector employees suffered harsh cutbacks and massive layoffs. It is clear that the recovery of corporate profit is based on the harshest exploitation of labor and the biggest transfers of public resources to the large private corporations. The capitalist state, with Democratic President Obama in the lead, has transferred billions to big capital via direct bailouts, virtual interest free loans, tax cuts and by pressuring labor to accept lower wages and health and pension givebacks. The White House plan for 'recovery' has worked beyond expectations – corporate profits have recovered; "only" the vast majority of workers have fallen deeper into crises.

The progressives' failed predictions of capitalism's demise are a result of their underestimation of the extent to which the White House and Congress would plunder the public treasury to resuscitate capital. They underestimated the degree to which capital had been freed to shift the entire burden of profit recovery onto the backs of labor. In that regard, progressive rhetoric about "labor resistance" and the "trade union movement" reflected a lack of understanding that there has been virtually no resistance to the roll back of social and money wages because there is no labor organization. What passes for it is totally ossified and at the service of the Democratic Party's Wall Street advocates in the White House.

What the current unequal and uneven impact of the capitalist system tells us is that capitalists can overcome crises only by heightening exploitation and rolling back decades of "social gains". The current process of profit recovery, however, is highly precarious because it is based on exploiting current inventories, low interest rates and cutting labor costs (Financial Times August 10, 2010, p 7). It is not based on dynamic new private investments and increased productive capacity. In other words, these are "windfall gains" – not profits derived from increased sales revenues and expanding consumer markets. How could they be – if wages are declining and unemployment/underemployment/and lost labor is over 22%? Clearly, this short-term profit boom, based on political and social advantages and privileged power, is not sustainable. There are limits to the massive layoffs of public employees and production gains from the intensified exploitation of labor … something has to give. One thing is certain: The capitalist system will not fall or be replaced because of its internal rot or "contradictions".

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