

Worldwide Recession: Forecast for Global Economic Growth. The Failures of Monetary Policy

The World Bank biannual Global Economic Prospects report

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The World Bank issued its biannual Global Economic Prospects report Tuesday, sharply downgrading its forecast for economic growth from its previous report released last June. The Washington-based international lending agency projected an expansion of the world economy in 2013 of only 2.4 percent, down from its forecast six months ago of 3.0 percent.

The bank said the global gross domestic product (GDP) grew by 2.3 percent in 2012, downwardly revised from its June estimate of 2.5 percent. It predicted that the world economy would grow by 3.1 percent in 2014 and 3.3 percent in 2015. These projected rates, lower than the bank's June estimates, are insufficient to significantly reduce near-Depression-level jobless rates in the US and much of Europe or stem the spread of poverty.

The report demonstrates that more than four years after the September 2008 financial meltdown on Wall Street, there is no end in sight to the economic crisis. It points as well to the extent to which the economic policies pursued by governments and central banks around the world have benefited the wealthiest social layers at the expense of working people.

This is summed up in one set of statistics presented in the report. While economic growth has stalled or turned negative in much of the world since the bank released its previous report in June, stock prices have soared. Stock markets in the so-called "developing countries" are up by 12.6 percent over the past six months, while equity markets in the "high-income" economies of North America, Europe and Japan have risen by 10.7 percent. The MSCI All-Country World Index has jumped by 17 percent since the end of 2011.

The combination of massive bank bailouts, virtually free and unlimited credit for banks and financial institutions, and austerity for the working class has served to prop up the financial system and further enrich the ruling elite by inflating financial asset values, but has done nothing to revive the real economy. On the contrary, the fact that economic growth continues to stagnate despite vast subsidies to the banks and investment houses speaks to the fundamental and systemic character of the economic crisis.

Moreover, the measures taken to avert a descent into deflation and financial chaos, such as printing trillions of dollars and other major currencies, are further undermining the monetary foundations of world trade and investment, fueling currency and trade wars, and inflating new speculative bubbles that are bound to implode.

Economic stagnation and decline are most pronounced in the high-income regions. The World Bank cut its growth estimate for these major economies as a whole from earlier forecasts, down to a mere 1.3 percent for both 2012 and 2013, rising to 2.0 percent in 2014 and 2.3 percent by 2015.

The bank reversed its previous prediction of a return to growth (1.1 percent) this year in the 17-nation euro zone, instead projecting a contraction of 0.1 percent. For 2014 it predicted growth of only 0.9 percent, to increase to 1.4 percent in 2015. Such miserable growth rates spell further social devastation in countries such as Greece, Spain and Portugal, which are already suffering Depression-style conditions of unemployment, poverty, homelessness and social deprivation.

The World Bank cut its projection for the US in 2013 by 0.5 percentage points, forecasting GDP growth of 1.9 percent, down from the already meager 2.2 percent for 2012. It is projecting an improvement by 2015 to a mere 3.0 percent, again, too slow a rate of growth to significantly reduce unemployment levels.

The report halves the bank's June estimate for Japan, predicting growth of only 0.8 percent in 2013, somewhat lower than the rate for 2012. This is projected to increase to only 1.5 percent in 2015.

GDP in so-called "developing" countries is estimated to have grown 5.1 percent in 2012 and is projected to rise to 5.5 percent this year. The bank lowered its projections for Brazil, India and Mexico.

In the Latin American and Caribbean region, GDP growth declined to an estimated 3 percent in 2012 (from 4.3 percent in 2011). The growth rate in Brazil, the region's largest economy, was merely 0.9 percent in 2012. The bank lowered its 2013 projection for Brazil from 4.2 percent to 3.4 percent, and cut its forecast for Mexico from 4.0 percent to 3.3 percent. For the region as a whole, the bank projects growth of 3.5 percent in 2013, rising to 3.9 percent in 2015.

The bank reported that growth in the East Asia and Pacific region slowed to an estimated 7.5 percent in 2012 from 8.3 percent in 2011. Regional GDP growth is projected to increase to 7.9 percent in 2013 before falling back to 7.5 percent by 2015.

China's growth outlook was downgraded to 8.4 percent from 8.6 percent, and India's was reduced to 6.1 percent from 6.9 percent.

In its concluding remarks, the report states: "While there are signs that growth is picking up in developing countries, the world continues to face a bumpy and uncertain recovery. The pace of recovery in high-income countries is likely to remain disappointing."

These are rather soothing words to describe a crisis of the world capitalist system that is, in fact, deepening and lurching toward new financial shocks and eruptions.

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