

## **Financial storms, recession and reaction**

On Friday, March 10, Silicon Valley Bank (SVB), the sixteenth largest US bank linked to thousands of tech start-up companies around the world, included by Forbes in the list of the best North American banks for the fifth consecutive year, collapsed in just 48 hours, after its shares had lost more than 69% of their value.

The bankruptcy of SVB, which had quadrupled its size in the last 5 years thanks to start-up financing, was the second largest bank failure after that of Washington Mutual in 2008.

But it is not the only one. In the same weeks, the cryptocurrency institute Silvergate, Signature Bank, jumped and the stock of the First Republic Bank, a regional bank, sank. Other small and medium-sized banks are in the same situation as SVB.

Bankruptcy always represents the expropriation of the assets of a large number of "small fish". Big capitalists sell their shares in a timely manner. The mechanism of intervention by the state, the first defender of monopoly capital, always means an expropriation of small savers.

Despite the Fed's intervention and the opening of the international "safety net", despite Biden's reassurances, the inevitable "contagion" has arrived on the European stock markets.

There were substantial declines in bank stocks in Switzerland (Credit Swiss, close to collapse, was acquired by US Bancorp with 3.3 billion Swiss Francs thanks to the support of the Swiss central bank), Spain (Banco Santander), Germany (Commerzbank, Deutsche Bank), France (BNP Paribas). The sell-off sent the index of bank shares down in Japan.

The Milan stock exchange has burned tens of billions. MPS bank lost 35% in a month, other banks such as Unicredit and Mediolanum recorded serious losses. The close relationship of weak Italian financial capitalism with declining US imperialism has amplified the negative effects.

On March 16, the European Central Bank raised interest rates by 50 basis points.

This decision was officially taken to continue the deflationary policy with the means available to the economic authorities in the capitalist monopoly economy. But such a monetary policy, dedicated to the fight against inflation, but without control of setting prices, especially monopoly prices, is nothing but a policy of defending high finance and banking and supporting the ongoing process of concentration of capital.

Bourgeois economists say that the main cause of the current shock – which makes the financial system more unstable and anticipates a wider crisis, given the amount of financial bubbles inflated with years of quantitative easing – lies in the fact that the United States has raised interest rates in ten months from 0.5% to 4.75% to rein in inflation.

This created problems for SVB, which held long-term securities and bonds whose market value collapsed. Therefore, it had to sell them off to raise liquidity in a vain attempt to cope with the bank run, amplified by social media, leading to the declaration of insolvency and bankruptcy.

In reality, the crisis of SVB and other banks is not the result of "mismanagement" or "bad policies", but is only the tip of the iceberg of a much larger problem.

The banking and stock market crashes of these days are leading to a violent depreciation of fictitious capital with serious consequences in the sphere of production, This is heading towards a recession of no short duration in many countries and productive sectors, with mass layoffs especially in high-tech companies, reduction of wages and further push to monopolist concentration. Behind this is the gradual decrease in the rate of profit in the capitalist system, which is especially evident in the USA.

The fall in the rate of profit is an economic barrier whose action, although slowed down and hindered by countertendencies, is realized through a process evident in the long run, a "law of nature" of the present mode of production that has a historical, transitory character.

The effects of this law are amplified in the current situation which sees the coexistence of war, sanctions, inflation, pandemic, drought, economic instability, impoverishment of large layers of workers, resumption of the mass struggle of the proletariat against the capitalist offensive.

These conditions demonstrate the aggravation of the general crisis of capitalism, and on the political level lead the bourgeoisie to move from the parliamentary system to fascist methods in order to defend its class rule.

Those who see behind the crashes of these days only the conflict between policies to reduce inflation and maintain economic growth, or the deregulation of the banking sector, see the trees but do not see the forest.

Those who say "we have learned nothing from the 2008 crisis" show that they do not understand the process of reproduction of the inherent contradictions of the process of capital accumulation, which find a manifestation in credit crises. It is the conflict between the social character of the productive forces and private capitalist ownership of the means of production and exchange which recurs in a worsened form, constituting the economic basis of the social revolution destined to destroy the present relations of production and to create new ones, conforming to the character of the productive forces.

The failure is not just of the banks and US and EU monetary policy.

Today more than ever it is clear that the real limit of capital is capital itself, its limited conditions of valorization in the productive sphere, which the vandals of the financial oligarchy try to evade with stock scams and swindles of derivatives, cryptocurrencies, bonds, warrants, etc., as drug addicts in search of ever greater doses of drugs.

This does not mean that capitalism is doomed to inevitable collapse. The bourgeoisie is an unscrupulous parasite; it makes mistakes upon mistakes, crimes upon crimes, approaching its ruin, but it does not liquidate itself.

The only force capable of overthrowing this rotting system is the proletariat, capable of transforming itself from a subordinate and internal element to the current mode of production into a conscious, compact and organized protagonist of the abolition of the present state of affairs, indispensable for the transition to a higher form of society of which the socialization of the means of production and the proletarian dictatorship constitute the first fundamental stage.

The fundamental instrument of this revolution is the (Marxist-Leninist) communist party, for whose reconstruction the communists and the best elements of the working class must work. They must act together from the outset to give impetus to an intransigent proletarian class policy, aimed at reversing the consequences of the crises, placing it on the shoulders of the capitalists and the rich and preparing the conditions for a revolutionary solution to capitalist barbarism.

## **Political Tendencies of US Imperialism**

That the US, from the Trump administration to the Biden administration, has tried and is still trying to scale back or recalibrate globalization is a fact. The explicit reason is given by the attempt to maintain its world hegemony (based on economic-financial, technological, military and media dominance), today questioned by the rise of Chinese imperialism whose development process has accelerated in recent decades to make it the world's second largest economy.

US hegemony is shaken mainly by internal factors (economic crises, falling rates of profit, excessive debt, etc.), but also by external factors. The law of uneven development and the exacerbation of the imperialist system's own contradictions – which manifest themselves in the form of trade wars and the penetration of other powers into the world market – weaken it.

US imperialism is in a prolonged process of decline in confrontation with its rivals. Its weight in world production and trade is falling. However, the strength of US monopolies is still considerable (among the top 100 in the world by turnover 35 are from the US, 18 are Chinese); the dollar, although weakened, continues to be an international medium of exchange and the world's reserve currency; the US military apparatus is by far the most powerful in the world.

US imperialism has not lost its ability to build and expand political-military alliances with other imperialist countries, Western and Eastern, in order to contain and fight its main rivals, primarily imperialist China (which has no strategic allies).

The hegemony and economic, political and military control by the United States continues to rest on these pillars; it is the most aggressive, warmongering and dangerous imperialism on the planet. With these assumptions, the Biden administration is playing its cards in the struggle for a new economic and territorial division of the world among the main imperialist countries, with their zones of influence.

It must do so before China becomes too powerful to be stopped.

With the expansion of NATO to the east, the Maidan coup and its support for the puppet Zelensky to deploy long-range missiles on Ukrainian territory, insisting on the "Russian invasion", it did everything possible so that Russian imperialism, its immediate rival and friend of China, would start the ongoing war in Ukraine, with an outcome that is not currently a foregone conclusion.

Now the Biden administration is weighing the strategic steps of escalation to keep the war going for as long as possible, including nuclear conflict. With this line of conduct it is pursuing another, no less important objective: to weaken and keep divided the main countries of the EU and to delay the process of their political-military unification, which means progress in the formation of a new, potentially rival imperialist bloc.

Another game which US imperialism is playing is the question of maintaining technological primacy (closely connected with military primacy and the development of its strategy). The game essentially concerns the production and use of chips, i.e. memory and logic circuit chips, increasingly miniaturized, and therefore increasingly powerful, used in computers, smartphones, and modern industrial and domestic technology in general.

In August last year, the US passed the US Chips and Science Act for \$280 billion to invest in research, pursue reshoring and near-sharing. In practice, the act subsidizes companies that invest in the production

of chips in the US or that in any case undertake not to supply China with the latest generation chips, measured by the density of memories in terms of nanometers, in an increasing the race up to the size of a few molecular layers (a nanometer, equal to one billionth of a meter – is the order of magnitude of atomic and molecular dimensions).

With a monopoly on these technologies, the Pentagon plans to build supercomputers that are thought to be able to handle an atomic attack and intercept the enemy's reaction, stopping it or limiting its damage.

The main multinationals in this sector (including the US Intel) operate in South Korea (alongside Samsung), Taiwan and China. The measure in question, which provides only one year for the use of US cars, is putting sticks in the works in those countries for such an important business. Significantly, in 2022 Samsung, Micron, Intel and others, as well as computer and smartphone manufacturers, have seen substantial revenue reductions of the order of two percentage points (of course also for other reasons such as closures due to Covid and hyperinflation). In order to consider the upheaval caused by the Act, it must also be borne in mind that some high-tech machines for the production of chips are from Japan, Belgium and Holland.

In the same month, the US also passed the Inflation Reduction Act (IRA) to support electrical and digital restructuring. In practice, this means direct and indirect subsidies for the production of electric cars, batteries, power columns and other products produced in the USA or in countries that the USA unilaterally considers trusted allies or vassals (such as Italy). The total amount is almost 700 billion. A colossal figure also open to non-US multinationals, which has made some European chancelleries jump for the possible process of deindustrialization in the EU that is thus being provoked.

We also note that protectionist positions have long since taken the WTO out of play, which certainly cannot sanction a country the size of the US.

This action of US imperialism (protectionism, war in Ukraine, disruption of the EU, upheaval in supply chains in their favor) is contributing – together with other factors, such as the rise in real interest rates, the consequences of the pandemic (China has recently reopened), climate upheaval, but also to endogenous causes such as overproduction and falling rates of profit– to the slowdown of the world economy (see *Scintilla* of February 2023).

In this context, different political tendencies have formed or are being formed in the USA (as well as in the EU).

Not yet directly antagonistic parties, but certainly disputes between currents that make up a contradictory unity in movement, depending on the degrees of different positions that confront each other on globalization and the continuation of the war in Ukraine.

If in the USA the war-like tendency has prevailed so far, there is also a tendency more attentive to economic reasons, which opposes military escalation and a total decoupling from the globalization that has developed over the last three decades. This trend considers that the USA can hardly stop a massive and long-standing phenomenon without compromising the business of a large part of their corporations in a short time and without damage. And, you know, for the Anglo-Americans the saying business is business applies. This "economic" trend calls for a different approach to the world economy, which certainly takes due account of the preservation of US primacy, but without compromising the stability of the imperialist system and the growth of the world economy itself.

A sort of revision of unbridled neoliberalism, in which the imperialist system is managed while paying attention to growing global risks (including climate and health risks), to the prevention of another

economic crisis, to the security of supply chains, with a resumption of 'regulated' cooperation and multilateralism (with allies) supported by Yankee economic muscles. Secondly, it calls for less involvement in military campaigns abroad and a compromise to end the conflict with Russia on the basis of the status quo on the battlefield. In short, a strategy different from that of global chaos to defend US hegemony.

The different political tendencies of the imperialist bourgeoisie – as far as the USA is concerned, which cannot be strictly traced back to the difference between Democrats and Republicans, being of a transversal type – must be analyzed and understood in the light of the Marxist-Leninist theory of the final stage of capitalism. In reality, there are no good and bad imperialisms, just as there are no good and bad political tendencies of the imperialist bourgeoisie because, in one way or another, they represent the interests of financial monopoly capital.

By its nature, imperialism breeds exploitation, oppression and war; It is "reaction across the board" and cannot be reformed for the benefit of the proletariat. All the political tendencies of imperialism are reactionary, anti-worker and anti-communist.

The struggle of the working class and the peoples for social and national emancipation must be guided by a policy of complete class independence: this is a condition for the full realization of the strategic objectives of the proletarian revolution.

This implies putting the defense of the interests of the working class and oppressed peoples at the centre, and targeting the bourgeoisie and imperialist rule in order to ensure the victory of socialism.

Class independence does not negate, on the contrary, it presupposes the possibility and necessity of taking advantage of the inter-bourgeois contradictions that manifest themselves in the concrete historical conditions of a given country.

In the same way, a policy of class independence of the proletariat presupposes the need to exploit the inter-imperialist contradictions, to weaken the domination of the power identified as the most dangerous, to open up spaces and to strengthen the front of the workers' and popular forces.

Taking advantage of these contradictions in no way implies fighting one imperialism so that another can take its place, or supporting one imperialist political tendency to counter another, equally imperialist one. It is the revolutionary struggle of the proletariat and the struggle for the liberation of the peoples that must be supported and upheld, so that they may progress constantly!

Of course, in order to develop this independent class politics, it is necessary to have the tool that embodies the independence of the proletariat from the bourgeoisie on all levels: the Communist Party.