WILL THE END OF THE CURRENT PHASE OF GLOBALISATION RESULT IN A 1973 LEVEL GLOBAL CRASH?

On the 5th December Bloomberg highlighted research carried out by Ned Davis Research: "Nothing's working, not large or small-cap stocks in the US, not international or emerging equities, not Treasuries, bonds, commodities or real estate. Most of them are down, and the ones that are up are doing so by percentages in the low single-digits." This had not happened since 1972. This report followed one by Deutsche Bank which concluded that the fall in global assets up to October 2018 had not occurred since 1920.

Are we witnessing something historic? After all, 1972 was the year before the global crisis which ended the "post-war boom". There are many parallels. Since October this year, markets are in turmoil. Over the last two weeks US Stock Markets have fallen by over 7%, despite the FED hinting of slowing rate rises and Trump trumpeting a potential trade deal with China.

Similarly, the first indications of cracks are beginning to appear in the putrid corporate bond market. As a CNBC report on the 7/12/18 reported: *"The U.S. high-yield index has widened 115 basis points and investment grade 30 basis points over the last month, leading many to ask whether these credit bonds are the real canary in the coalmine for global markets."* (See Graph 9.) The $9.6 trillion corporate bond and bank debt pyramid is top heavy with leveraged and covenant lite borrowings. Many bonds are just one notch above investment grade, and in the event of a recession would have to be marked down, forcing institutional investors to offload them. Already banks are dumping these bonds.

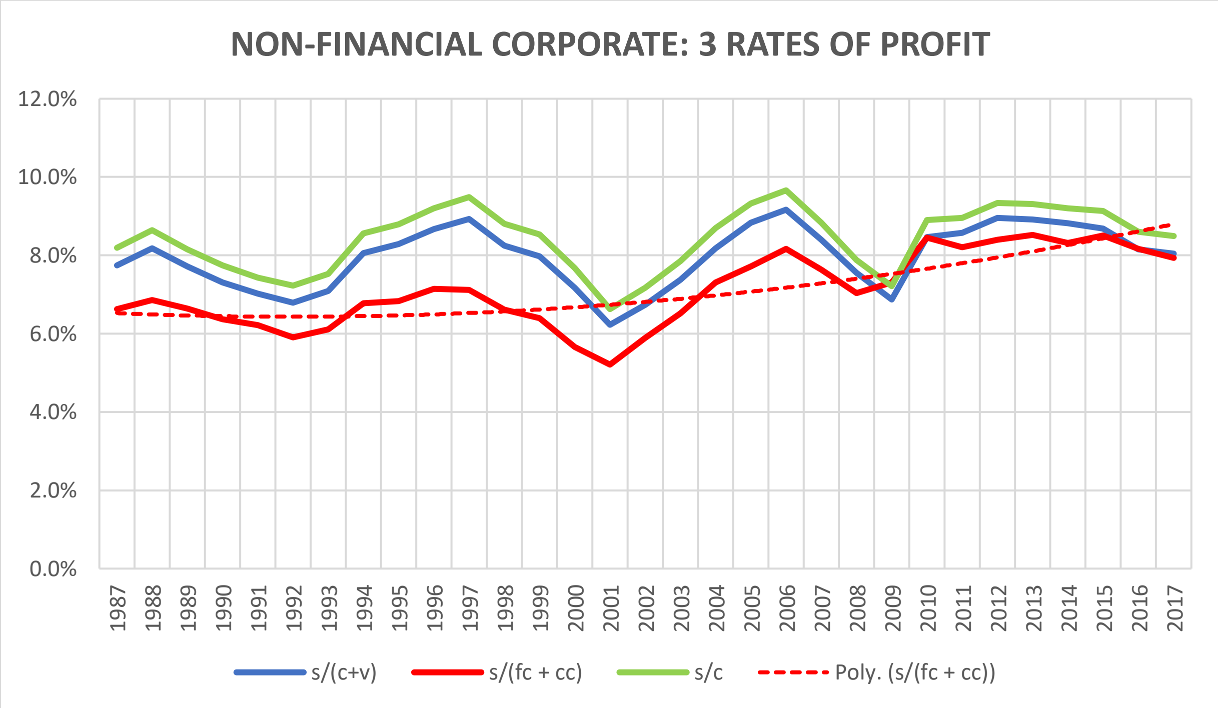
This is the new sub-prime of 2018. And it is not occurring in some suburb, but in the heart of industry and commerce. It does not involve evictions, unacceptable as they are, but the insolvency of whole areas of production and circulation. It is not confined to the US as in 2008, but is global. It marks the probable end to this phase of globalisation. And it will mark the definitive end to neo-liberalism because another crash will erase the very legitimacy of capitalism itself. Coming a decade after 2008, a decade which has seen millions die prematurely at the hands of austerity, a war crime by any other name, this crisis poses the biggest ideological challenge yet faced by the capitalist class, because the experience of 2008 is still raw.

It is against this political backdrop that this posting is written. Its purpose is to shore up the hypothesis that it is the fall in global profitability which has recently quaked the sand, to which speculation has added the water, causing the liquefaction which is beginning to swallow up the financial edifices. No doubt, the charlatans and ignoramuses and all those obsessed with the superficially obvious, will claim this crash to be primarily a financial.

For this reason, I have delved deeper into the profitability of US industry by calculating the rate of profit for non-financial corporations. To achieve this, I have continued to use the turnover found in an earlier posting when I aggregated the turnover of seven large sectors and applied it to corporate industry. This was made necessary by the absence of gross output data because corporate business is not an industry but a legal sector. I have applied a number of tests to the robustness of these turnover figures and I am satisfied that although it underestimates turnover, it does so by less than 10%.

In Graph 1 below, three rates of profit are presented. All three have the same numerator, the net surplus found on line 31 in Table 1.14. However, the denominators differ. The first comprises fixed capital plus inventories, the second, constant capital (fixed capital plus inventories) plus variable capital (annual compensation divided by the annual rate of turnover), and, the third comprises fixed plus circulating capital.

Graph 1.

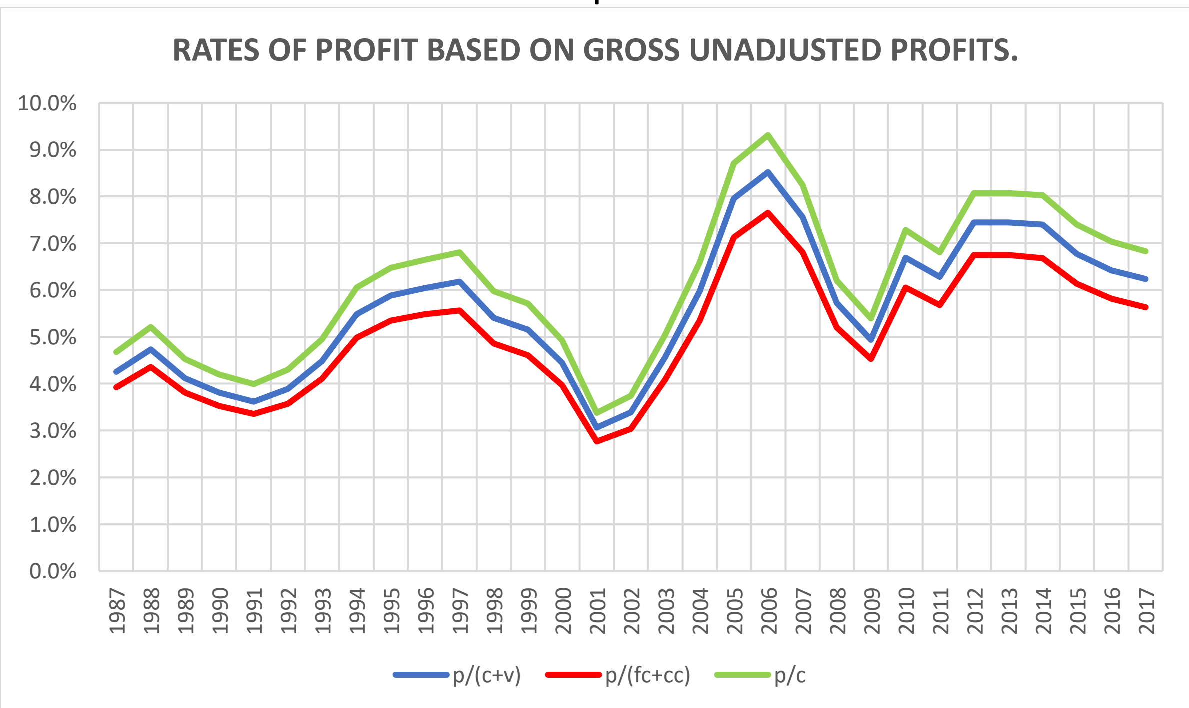


(Source: See spreadsheet attached to post: "GRAPH CORPORATE OF PROFIT 1987 -2017")

Turning to the green graph of s/c, we find similar peaks in 1997, 2006 and 2012. The same trend applies to Marx's rate of profit or s/(c + v) marked in blue. It does not apply, to what I consider to be the most accurate rate of profit, s/(fc + cc). Here we find a trajectory which is markedly different to the others. In this case there are ascending peaks, with the peaklets between 2010 and 2015 being significantly higher than those found in 2006 and 1996.

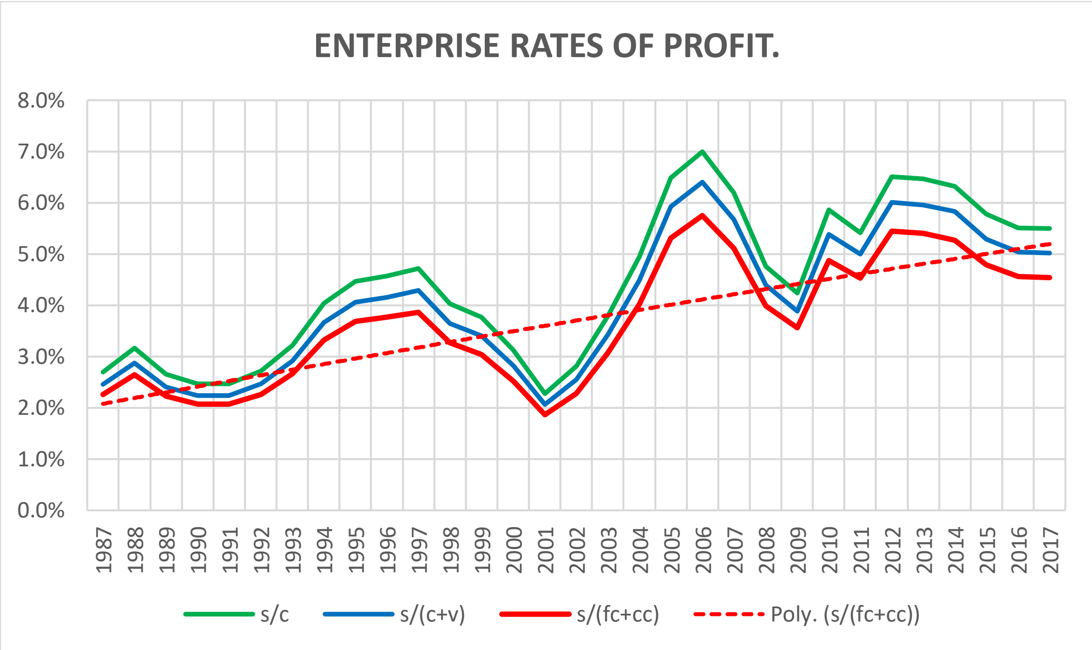
Graph 2 which is based on unadjusted pre-tax profits presents a different picture.

Graph 2.



The numerator in Graph 2 is unadjusted pre-tax profits (line 32 Table 1.14). In the case of Graph 2, all rates of profit, including the red graph, peak in 2006. Significantly all rates of profit turn down in concert after 2014. They do so more sharply than the graphs found in Graph 1. The final graph in the series scrutinises the all-important "enterprise rate of profit", that is unadjusted post-tax profits set against capital (line 38 Table 1.14). This is the most influential Graph because it tells investors how much profit they are actually left over with after paying interest and taxes.

Graph 3

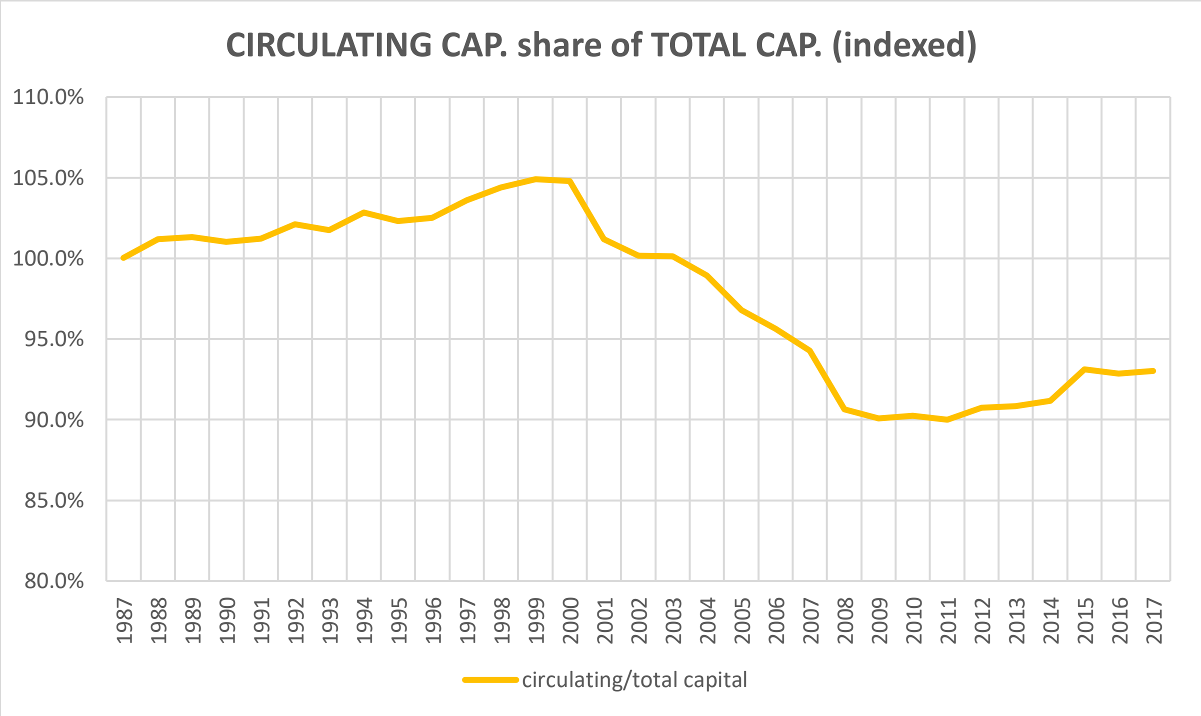


In Graph 3, the rates of profit start their descent once again in 2014 after plateauing from 2012. More importantly, unlike Graph 2 the rates stop falling in 2017. This is due to the fall in corporate taxes which preceded the Trump tax cuts. In 2014 Corporate Taxes amounted to $291 billion, then $284 billion in 2015, down to $271.3 in 2016 before falling significantly in 2017 to only $247 billion. In comparison, profits fell by only 5% between 2014 and 2017 whereas taxes fell by 15% (line 27 for profits and line 28 for taxes Table 1.14).

We will deal with the tax cuts and their ramifications in the next section. Before that, what needs to be explained is this: why does the rate of profit based on fixed and circulating show an improvement when using the net surplus? Why does it not peak in 1997 as many Marxist statisticians have concluded? To understand this, I have constructed Graph 4. It shows the share of circulating capital measured against total capital which includes fixed capital. The weight of circulating capital increased up to 2000, then it declined quite sharply. By 2008, its relative weight had fallen by 15% because of the accelerated increase in fixed investment. Its weight then increased marginally as the rate of fixed investment decelerated.

As both circulating and fixed capital add up to total capital, a relative reduction in circulating capital will offset the growth in fixed capital slowing down the growth in total capital. This will not be picked up if the rate of profit is based merely on fixed capital whether measured in historical or current terms. Thus the 5% rise in the weight of circulating capital up to 2000 reduced the peak in the rate of profit then. This was followed by a sharp fall in circulating capital which resulted in a higher peak in 2006. Finally, the insignificant rise of 1% between 2008 and 2014 coupled to a fall in the rate of fixed investment (a period of "sweating" assets and labour) led to the 2014 peak exceeding all the others.

Graph 4.



(The change in circulating capital relative to the change in total capital.)

Phase 2 awaits.

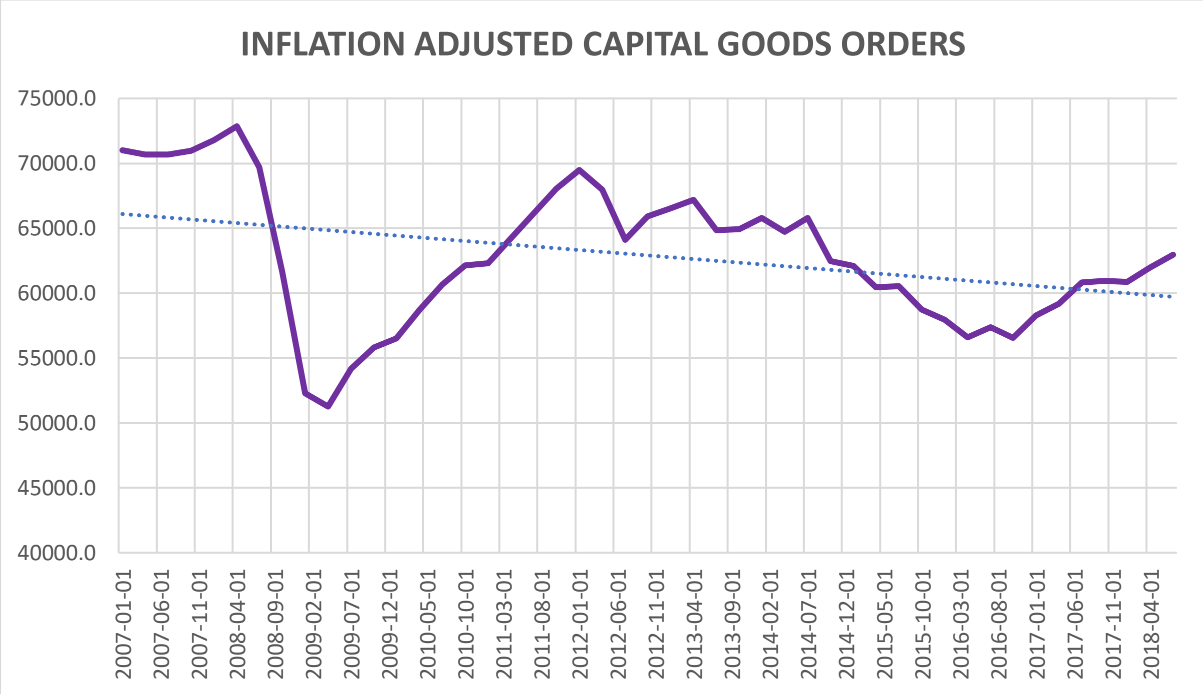
Once again the reasons for the tax cut are laid bare, an attempt to breathe life into enterprise profits, by means, other than a rise in the rate of surplus value. Here lies the importance of December's significant fall in share prices. Originally it was assumed by the Republicans and their masters that the tax cuts would provide a permanent impulse to the economy, a so-called extra gear, acting as a multiplier through its influence on investment.

Now, it is true that for 9 months or three quarters, (Q4, 2017 to Q2, 2017) there was a significant increase in productive and commercial activity. This was of course amplified by the boost to the economy from the vibrant oil industry thanks to rising oil and gas prices. All of this was captured by the CASS Freight shipment index achieving an impressive annualised growth rate of 12% in the first half of 2018. (In addition, the October CASS report shows the correlation between GDP growth and freight growth.) https://www.cassinfo.com/Transportation-Expense-Management/Supply-Chain-Analysis/Cass-Freight-Index.aspx) Similarly, orders for the heavy-duty trucks that carry much of this freight were up 81% in the first ten months of 2018 compared to the same period in 2017.

What October and November has shown is how quickly everything can change. By October, CASS reported the annual growth rate had halved to 6.2% due to a fall in shipments during the month. In addition, orders for Class 8 trucks collapsed in November, falling by 35.9% from October and 14.5% from the previous November. More broadly, the US Census Bureau Report on industrial orders showed a sharp fall in September and October for non-defence and aircraft capital goods of 5.4% and 6.1% respectively. (https://www.census.gov/manufacturing/m3/adv/pdf/durgd.pdf)

This temporary boost to investment needs to be set into a longer frame perspective, otherwise we could end up overstating the first half boost. Graph 5 below, is the inflation adjusted orders for non-defence and aircraft capital goods. It shows that the amount spent on these goods, despite the Trump cuts, fell well short of previous peaks. Its peak in 2018 was more than 16% down from early 2008. (Of course, this should be qualified as not all capital goods used by the USA is produced in the USA.)

Graph 5.



(Source: FRED Table NEWORDER for nominal orders and GDPDEF for deflator.)

A final take away from the Graph, is to note that the fall in orders mirrors the fall in the rate of profit after 2014. The fall in the rate of profit was particularly acute in the manufacturing sector, which is both the biggest producer and consumer of capital goods. This was one of the reasons why I characterised the two quarters marking the end of 2015 and the beginning of 2016, as a pseudo recession.

October marked the point when the market realised that Trump's tax cuts was not a permanent boost to the economy but a temporary one, actually a very temporary one. I have called this tax cut stimulus, an adrenalin rush. Many have called this a sugar rush. My description is more apt, because an adrenalin rush masks pain, pain which only becomes apparent when the adrenalin wears off. This pain is beginning to be felt, because more of the tax cuts were permanently wasted on the rich than was temporarily spent on expanding or improving production. And it encouraged the acquisition of debt.

But it may be argued, the economy looks robust. Just look at the historically low rate of unemployment at just 3.7% in the USA. The British and the US share a special relationship when it comes to calculating unemployment. Both have a very elastic concept of employment as befits economies based on zero-hour contracts. Unemployment rates in these countries would be better defined as under-employment rates. However, within last week's US employment numbers there were a few negative surprises. Four-week Unemployment Insurance Claims are rising especially when not seasonally adjusted. U6 claims which includes all persons attached to the workforce has risen to 7.6%. Within the household data over 600,000 part-timers were fired in November.

What is true, is that the gyrations in share prices has not yet significantly depressed luxury spending outside housing. Tiffany's, a bellwether for the luxury goods industry, remains upbeat. When their outlook dims it will mark the second phase of the crisis. Until the second phase of the crisis kicks in, capitulation will not yet be reached. In the language used by the FED, the view that the market gyrations mark an adjustment to lowered expectations, is finely balanced with the view, that a recession is imminent. There is no up to date data on "Net Household Wealth". The most recent data is for the second quarter. Up until then, the average quarterly increase in net worth, driven mainly by share prices was over $2 trillion yielding an annual increase approaching $10 trillion. That trend has effectively been wiped out because of the fall in share prices and house prices.

That is why the current correction is merely the foot hills of what is to come. The real shock is likely to occur only in January when the extent of the fall in current and expected profitability becomes clear. Only then will it be possible to assess the impact on spending by the rich. Over the weekend, Goldman Sachs, whose record over the last three months has been 100% wrong, told investors not to worry about retail sales. They pointed to falling oil prices, full employment and rising wages. All those MBA's and they do not even understand the new layout of "main street America". Goldman Sachs is wrong because the losses on the various markets far exceeds the paltry gains in wages while the fall in oil prices imperils the only dynamic part of the economy, the oil and gas industry.

Already the losses on the stock markets are substantial. The Nasdaq index has been chosen because it is home to most of the FANG shares. Year to date share prices are basically flat at the time of writing and it is probable they will fall for the year. The Nasdaq index is reminiscent of a shard of falling glass liable to cut the hand of anyone foolish enough to try and catch it. Since the end of September, it has fallen 1200 points versus only 450 points in March. More importantly, many market leaders like Apple are down more than 20%.

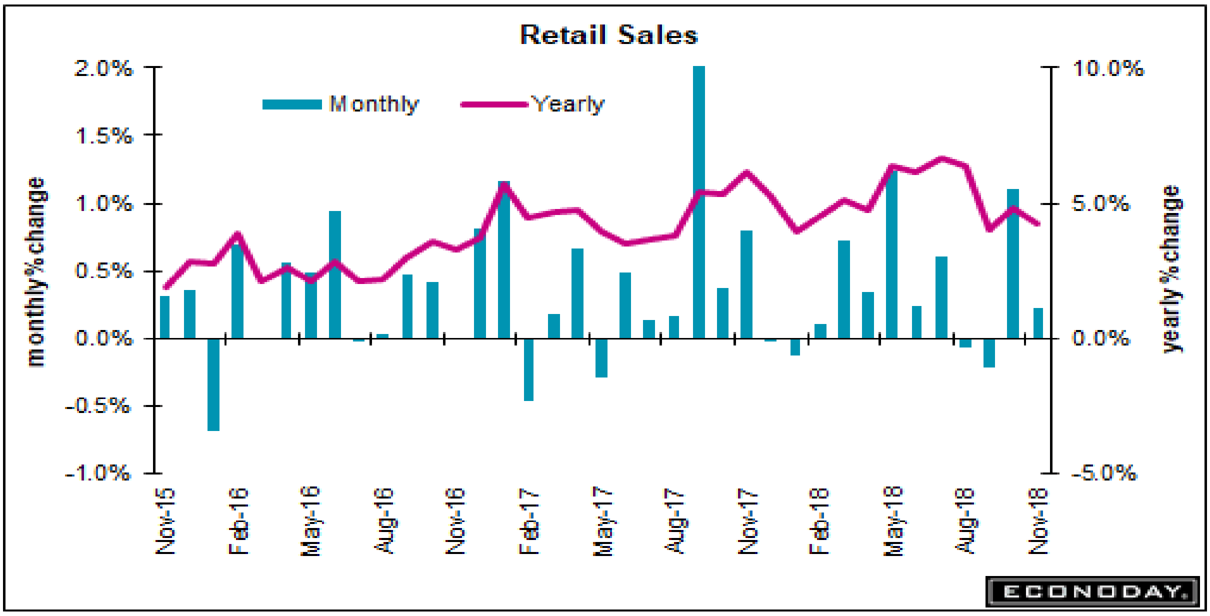
Graph 6. (Nasdaq composite ytd)

(Chart by MARKETSINSIDER)

If asset markets continue to erode capital gains, then the top 10% (though not the top 0.1%) will reduce their spending as they did in the 2009 -11 period. When this happens, the economy will spectacularly unravel in ways reminiscent of the late 1920s when inequality was just as high. Inequality has restructured the economy to cater for the top 10%. This can be seen in the large auto industry where cheaper sedans have stopped selling while sales of higher end trucks and SUVs laden with electronics have risen. All industries are now highly dependent on this class of spenders.

On Friday 14th December the US released retail sales and industrial production. The movement in retail sales is captured in the Graph below compiled by Econoday.

Graph 7.



It shows retail sales trending down to 4% annual growth from above 5%. This is still respectable, but the movement is deteriorating. (Note 1.) In addition, industrial production is flat. An examination of Table 9 issued by the FED, which measures production in value terms rather than volumes, shows that industrial production in November was up only 0.2% on the third quarter while business equipment was up 2%. There is a clear downward momentum in the hard data.

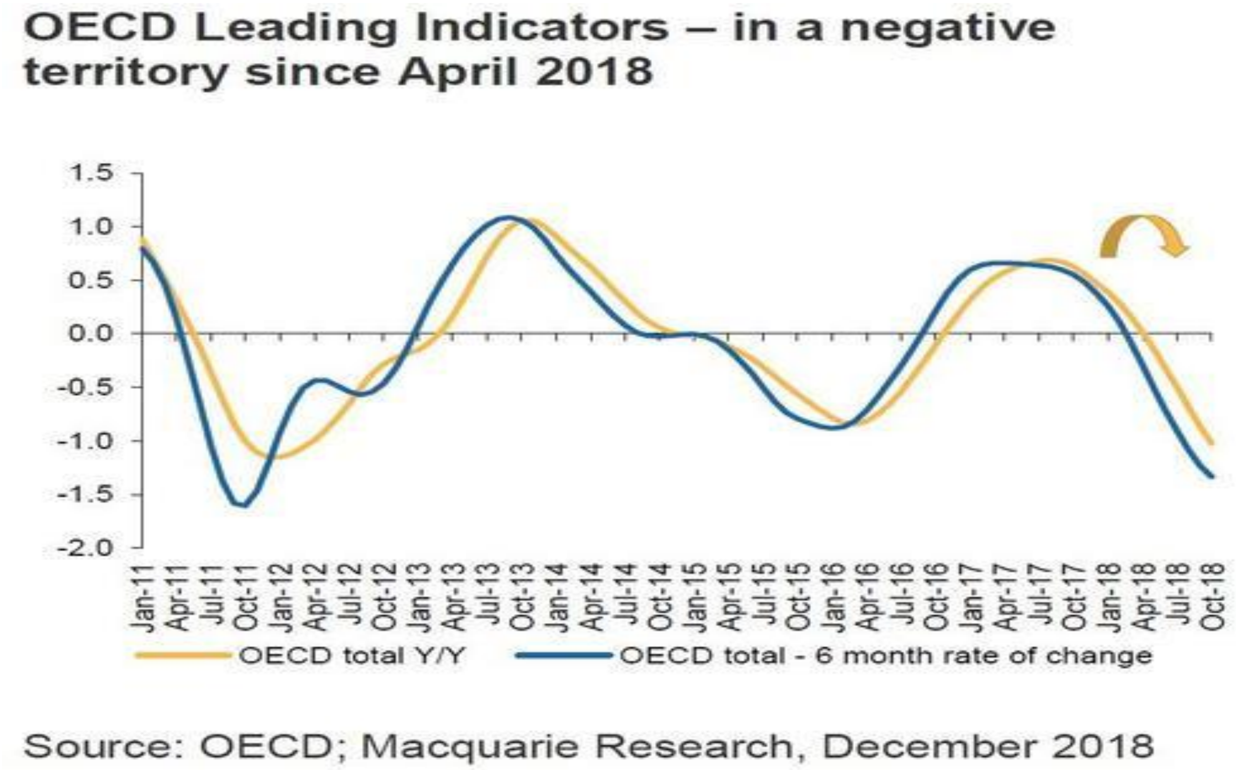
And it is not only in the USA. China also released its retail and industrial production figures which CNBC described as "ugly" because it missed estimates by 10%. What is becoming apparent through this trade war is how interconnected the world economy is. Tariffs are biting in unexpected ways. In the US, corporations are overwhelming the government with requests for exemptions because they rely on Chinese components.

On the Chinese side, the US spiderlike control of the value chain, has shown how it can arrest Chinese technological development. Huawei may lead the world in G5 infrastructure, but much of the patents enabling this infrastructure, particularly chip technology, are owned by US corporations. What is difficult for Huawei, is not the technology behind the chips, but the intellectual property they contain which makes substitution impossible.

China may be forced to adopt a brand-new soft-ware architecture that by-passes this intellectual property such as Android. If that happens the world will be confronted by two divergent bodies of software, one led by the US and the other by China. If this happens, US technology like the Dollar, will be facing a bi-polar world for the first time since 1945. From the viewpoint of the international working class this will represent an enormous waste of labour time.

As Graph 8 below shows, the optimism of a synchronised acceleration in the world economy 18 months ago, is long forgotten. All the data from around the world is going from bad to worse. The leading indicators have fallen well below that found at the time of the pseudo recession at the end of 2015. The exceptional US economy, courtesy of the tax cuts, is about to succumb to the rest of the world.

Graph 8.



The FED is boxed in.

It could be argued that the FED could call a halt to rate rises which would prop up asset markets. The matter is somewhat more complicated. In October the Chairman of the FED declared that the FED's benchmark rate "was a long way" from neutral. By the 28th of November this had changed to being close to neutral. *"Interest rates are still low by historical standards, and they remain just below the broad range of estimates of the level that would be neutral for the economy — that is, neither speeding up nor slowing down growth,"* were his exact words. Note that rates are "still low by historical standards". Prior to this, on the 8th November the FOMC meeting which he chairs issued the following statement. *"The Committee expects that further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective over the medium term. Risks to the economic outlook appear roughly balanced."* FOMC statement issued on the 8th November following their regular meeting.

So, within three weeks of the FOMC meeting on the 8th, the chairman was reporting that rising rates were no longer consistent with the state of the economy. Three weeks in economics can sometimes feel like a year. These contradictory statements expose the predicament facing the FED. Rates are historically low, but these historically low rates on the 8th which were supportive of economic growth, had by the 28th become borderline. The question is whether by the end of the year they will have become unsupportive of the economy, meaning these historically low rates need to become, ahem, even more historically low. And this is happening when the fiscal stimulus is adding at least 0.5% GDP growth, albeit the worst kind of growth.

The FED does not understand the peculiarities that belong to a world stuck in rising animation susceptible to interest rate shocks because underlying profitability is still subdued. It seems to be atoning for its failures in the lead up to 2014, when it should have raised interest rates more quickly and decisively, thereby purging the build-up of debt. Debt is like snow on a tree. If left to accumulate its weight ultimately breaks branches and even trunks.

Of course, Trump will continue to criticise the FED and walk away from any blame. But the truth is that his fiscal irresponsibility is responsible for a higher "neutral" interest rate, one which industry and commerce clearly cannot cope with. This week's 10-year bond auction revealed the damage that his fiscal irresponsibility had done. The yield at 2.91%, was equivalent to inflation plus 1%, a level which I have said repeatedly will decelerate rate sensitive areas of the economy. In addition, the CBO report (Congressional Budget Office) on November's fiscal deficit, shows a deficit exceeding $300 billion in the first two months of the current year, making an annual deficit of $1 trillion probable.

While it is likely that the December rate rise will not happen, any indication by the FED that conditions were "no longer balanced", "that the risks to the downside now exceed those to the upside" will destroy the credibility of the FED and lay themselves open to ridicule by Trump. The fact is that nothing they can say or do is supportive of the market because they are now boxed in.

And even if they were not, the reality in the money markets shows that the FED is likely to be side-lined initially. The FED cannot prevent a financial emergency, only react to it. Such an emergency always breaks out in the most overextended corner of the market, which is currently leveraged corporate bonds. Their fall is reflected in the graph below.

Graph 9.

(Source: Tyler Durden, ZeroHedge 14/12/18.)

If the FED were to hint at its willingness to reverse interest rates will that breathe new life into the asset bubbles? It is highly unlikely because it takes two to tango. It is the dance of profit and interest which sets the rhythm of the economy, but it is profit that always takes the lead. And the outlook for profits is falling despite FactSet's most recent report which says that forward looking projections to profits are just about average. Seems everyone is adopting the language of "just about". FactSet observed: "*Because of the net downward revisions to earnings estimates, the estimated year-over-year earnings growth rate for Q4 2018 has decreased to 13.4% today from 16.7% on September 30*." https://www.factset.com/hubfs/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_120718.pdf Other analysts are not so sanguine. More and more of them are telling their clients that the profit party is over.

What FactSet fails to disclose is that for pre-tax profits to rise this quarter, S&P earnings per share have to rise by at least 15% to cover the 12.5% contributed by tax cuts and 2.5% contributed by share buy-backs. It must also be recognised that smaller corporations outside the S&P, away from the monopolies, will grow their profits more slowly, which is why the Russell 2K index is currently down 6.0% for the year. A rise of 13.6% implies an actual fall in corporate profits annualised. Truly a hall of smoke and mirrors which ends in the first quarter of next year when the contribution from tax cuts falls to zero. So even in the midst of "historically low interest rates" which remain "essentially neutral", the economy and profit growth is slowing down rapidly. And not only in the US but world-wide.

The outlook for profits can be seen in this graph prepared by *Knowledge Leaders* which contrasts the effect of a rise in hourly earnings on profit margins. Profit margins should not be confused with the rate of profit. While profit margins can be used to explore the relation between wages and profits, the rate of profit includes investment in fixed assets and inventories in addition to wages. Hence a rise in the profit margin can occur at the same time as a fall in the rate of profit if investment has increased faster. But the profit margin is useful for determining whether the mass of profit in the rate of profit is likely to be rising or falling.

This graph shows that the fall in the red graph representing wages, which is inverted, is likely to drag down profit margins next year as it did in 1991, 2000 and 2008. The article goes on to examine the effect that the new tariffs will have on profit margins. Once again, higher tariffs will further squeeze profit margins. This has already been experienced by the car industry because of the upward adjustment in steel and aluminium prices as well as imported components.

Graph 10.

(Source: Zero Hedge *Is 2019 Going To Be The Year Of The Profit Margin Problem? 13/12/2018)*

This is the chill wind blowing through the markets. It has nothing to do with the algorithms speeding up trading. There is no such thing as a driverless investor able to detect every opportunity and danger in its path. Yes, the technicals accentuate volatility. 200 and 50-day averages play their part as do the "death-crosses". Unwinding hedges can whip the markets around. But they do no initiate trends, they accelerate trends. They signify only that consciousness lags behind developments especially if greed or fear is in play. If computer trading is likely to upend the market accidently, that is only because conditions in the markets provide for "an accident waiting to happen". Algorithms do not create this potential, that privilege is reserved for the real economy and its movement.

In many ways my current position on the interaction between the rate of profit and debt is reminiscent of Kliman's position. The difference of course is that he dates it back decades, whereas I apply it to a specific cycle which began only after the phase of prosperity ended in 2014 leading to the pseudo recession 2015/6, from which the world economy emerged into rising animation.

The international working-class.

It was predictable that the dominant political issue in the working-class would be immigration. Globalisation which encouraged the flow of capital also enabled the multi-nationals and smaller corporations to tap into the global reserve army of labour and deploy them against the workers in their own countries. The call for tighter immigration control is a defensive reflex, one which it is assumed will rebalance the labour market.

The most important question is this. In the midst of another crash, will this weaken, or, will this strengthen support for immigration controls? Will workers come to see the nation now surrounded by razor wire as a refuge or a prison? Will workers come to see that instead of being protected from external threats they have become trapped with their own internal enemy?

Major economic crashes tend to expose fools' gold for what it is, and the biggest nugget of fools' gold is immigration controls. When capitalists withdraw investment because of the lack of profitability it soon becomes clear where the problem lies, not with immigrants but with their own bosses. When the police are turned against protesting workers, they are not foreign mercenaries, but men and women from the locality. When the rich demand bail-outs at the expense of workers it is the same state which originally put up the razor wire that now provides these hand-outs.

The apologists for the capitalist class, and the media megaphone, like to equate the left and the right. "They are like evil twins cast from the same stone". But there is a decisive, if not a spectacular, single difference between the left and the right. The right seeks to divert the justifiable anger of workers sideways, against other workers – black workers, foreign workers and so on. The left on the other hand seeks to divert this anger upwards at the real perpetrators of the misery engulfing the working class – the bankers and factory owners.

That is why the capitalists hate the left and have an affinity for the right. They know that as long as the right directs anger sideways, so that workers fight amongst themselves, they are protected. On the other hand, they know that if the left succeeds in stopping workers fighting each other by focusing their anger upwards, they are done for. That is why they fund the right and jail the left.

Economic crashes act as a historical accelerant. Crashes release the latent heat that drives history, that turns one state of consciousness into another. For the left, weighed down by a generational defeat, and with their banners in shreds, the future looks bleak because it is assumed the future belongs to the right. Nothing could be further from the truth. The crash will expose the limitations of the right very abruptly. The right will have no answers for workers on how to deal with the emergency except to crack down on them when they protest.

These are the lessons from France's "yellow vest" rebellion. This blue-collar rebellion originating in rural areas has been transformed. National Front supporters originally comprised 40% of those who protested with the far left and the abstentionists (anarchists) adding another 38%. (Source:

NewStatesmanAmerica.) Now many students and union members are joining the protest rebalancing the rural element. And it is beginning to rock the French State.

Originally Macron claimed the centre, and, modelling himself on Blair, presented a fresh face in politics, an alternative to the jaded centre-left parties (Socialist Party) and the jaded centre-right parties (The Republicans). He was quickly undone by his neo-liberal policies which he had originally peddled as necessary to breathe life into the economy. His fall in popularity from an approval rating of 64% to a current level of only 21%, is the fastest and most dramatic fall in French presidential history since the war.

This is the problem faced by the right, for as it turns out, Macron was only a centrist poser. All the right politicians, whether they appeal to the darkest nationalist sentiment or not, are quickly caught out. Bolsonaro will be caught out just as quickly as Macron, as his neo-liberal policies tear at his political base. The political half-life of right-wing politicians is very short. Like sparklers they burn bright but burn out quickly. Whenever the right has been in power or shared power they have been found wanting. This has happened in Norway and is now happening in Italy.

France is important because it illuminates how the next crash will alter the political landscape. The rebellion in France is an anti-establishment rebellion that is occurring before the crash, but which in embryo, expresses all the elements such a crash will produce. It is anger directed upwards which is uniting the right with the left while converting the right. No doubt the French state will seek to sow discord between the two factions but as long as the struggle continues, the possibilities of winning workers to the banner of the left are positive, especially when organised sections of workers join the fray and engage with them.

France has lessons for Brexit Britain. Many of those who voted to Leave did so as a means or registering their protest at the existing conditions they found themselves in, and, not only against excessive immigration as they saw it. Just as in France they resented the London elite who had benefitted from globalisation. Should the unrest spread from France to this country, it is likely that Brexiteers and Remainers will “be in it together”.

The current surge in the right has resulted, as always, from the betrayals of workers by their traditional parties. It does not represent a permanent abandonment of class politics. The right is not the “natural” home for workers, as even Hitler realised when he had to burn down the Reichstag to prevent losing the 1933 elections.

This move to the right can be abruptly reversed as the transformation of the Labour Party has shown. Had Corbyn not won, had the party not had an influx of new and inspired members, then the Labour Party would have followed the French and Spanish Socialist Parties together with the German Social Democrats down the plughole of history. Instead, the Labour Party is now the biggest political party in Europe measured by membership.

And here lies the lesson. The right cannot provide a coherent political programme outside feverish nationalism. The logic of its programme forces it to attack workers and once the fever breaks and workers come back to their senses, it is game over. Only lumpen workers, those lost to production, ground down and intoxicated by delusions of grandeur, remain.

The real and durable obstacle is left reformism. Just as the Labour Party re-invented itself here, so will the other social democratic parties. And when they do they will become attractive to workers once again. Had Bernie Sanders not been prevented from standing for president by the corporate loyal and utterly corrupt NDC committee, Trump would not be president and the world would be a different place today.

Of course, at the moment the British capitalist class fear a good Corbyn Government more than a bad Brexit. But this will change when they realise they depend on this reformist government. That it is the only government that will save capitalism from itself.

The main obstacle to revolution in the long run remains left reformism. The use of the state to invest, to redistribute and to provide welfare for the nation is unassailable from the right. A crash will herald the rebirth of left reformism internationally. It will be tolerated by the capitalist class as the only means of forcing the revolution back into the ballot box. It alone guarantees the prospect of rule by consent through concessions.

The right cannot offer this route. In any case the bourgeoisie have had their fingers burnt so many times with fascism they are unlikely to resort to it again. The last experience, the US sanctioned and Saudi financed ISIS, intended to provide a Sunni counter-weight to Hezbollah, turned into fiasco, for no sooner had it been unleashed, then it turned on its creators. It is far more likely that the bourgeoisie will resort to a coup d'état. The militarisation of the police in most capitalist states, together with the plethora of "anti-terrorist" legislation already on the books, attests to this. Capitalism could end its days as it began, depriving the majority of any democratic rights. If the crash robs the capitalists of the ability to make the concessions needed to fortify a left reformist government, this perspective cannot be ruled out.

Adopting a perspective for the future is always vital in order to inform activity. It is a bit like weather forecasting. Get it right and you end up wearing appropriate clothing. Get it wrong, for example predicting warm weather when instead it turns out cold, therefore donning light clothing, and the result is potential political flu.

The obsession with the right is overdone. Yes, the right has grown and the hard-core represents a real threat to the organised working class as physical attacks on trade unionists and their leaders, attest. But the right in Britain will be marginalised as long as the LP acts as a beacon, as long as its Manifesto inspires hope of an alternative to austerity. Similarly, in the US. If the NDC cannot prevent the Democratic Party from being overrun by Sander's supporters and sympathisers, then the rejuvenated Democratic Party will make short shrift of the Republicans. Already H Clinton is preparing a counter-strike to the resurgent left by claiming they do not represent true democratic values unlike her good self.

In Britain, our perspective must be one of engaging in a united front around the Manifesto. And we must demand of a Labour Government, to not only repeal all the anti-union legislation, but all the anti-democratic legislation masquerading as a defence against "terrorism" which includes the mass surveillance of society.

Brian Green, 14/12/18

Note 1. Retail sales are increasingly overstated. Retail sales are not netted for returns which are running at close to 7% of total retail sales and rising as a percentage. One of the reasons is the rising weight of online sales now equal to 9.8% of total retail. The $351 billion in returned goods in 2017 is skewed towards online returns. These returns are often then resold by online traders. Thus e-sales could be overstated because they are not netted out for returns, and some of the goods are sold a second time.