Economic Growth In G7 Versus BRICS: A Reality Check

Richard D. Wolff

In the United Kingdom, the BBC prepared and published data from the International Monetary Fund (IMF) in January about different nations' growth forecasts for 2023 and 2024. The BBC foregrounded some really bad news for the UK. Of nine major industrial economies—the G7 (the U.S., Canada, Japan, Germany, the UK, France, and Canada), plus Russia, and China—the UK would be the only one to suffer real economic decline: a contraction in its 2023 GDP (its total annual, national output of goods and services). So dubious a distinction for the UK followed the long political night of rule by the Conservative Party. That night's darker moments included austerity after the severe 2008-2009 global capitalist crash, scapegoating Europe for the UK's economic troubles, Brexit taking place during the peak of that scapegoating, enjoyment of COVID cocktail parties by former Prime Minister Boris Johnson's government that it prohibited for the British public, and endless, transparent, and cringeworthy lying to the public when caught and exposed. But the BBC's report on the new IMF data was shocking about far more than the poor performance of the UK economy.

For the rest of 2023, the IMF says China's GDP will grow more than 5 percent or more than twice Japan's GDP growth rate. All other G7 countries will grow their GDPs more slowly than Japan. China's growth rate will be more than triple that of the U.S. in 2023. Finally, the IMF's projected GDP growth for 2024 *shows both Russia and China growing much faster than any G7 country*. These comparative forecasts comprise a reality check that clashes with most politicians' statements, mass media accounts, and propaganda barrages (worsened by the Ukraine war) emerging from the G7's old capitalist establishment. The BBC report was thus both rare and arresting.

For 30 years, skepticism and disparagements confronted China's claims about its economic growth. When these attempts to debunk Beijing's claims were subsequently proven wrong by the country's stunning record of superior economic growth, the intensity of these efforts nonetheless mounted. Disbelief in China's economic achievements grew even as in-person visits to China confirmed high rates of industrialization, internal migration and urbanization, and fast-rising mass consumption levels. The need to disregard China's economic transition from extreme poverty to economic superpower status rivaling the U.S. reminds us of the Cold War-driven nonrecognition of Soviet economic achievements after 1945. A parallel nonrecognition figures again in the G7 sanctions strategy against Russia over the Ukraine war. For anyone seriously interested in understanding the momentous changes now sweeping across the world economy, one question looms. How do we account for the gap between what the old capitalist establishment says (and may even believe) and what is real?

The answer is that we are confronted with a combination of denials and pretenses that are caused by the conjoined decline of U.S. capitalism and its global empire (or hegemony). Those declines have occasionally become clear enough, at least fleetingly, to observers within the old capitalist establishment. For example, such key moments include the U.S. military's inability to "win" local wars even against poor countries such as Afghanistan and Iraq. Another example was the U.S. medical-industrial complex's subpar performance in managing the high number of COVID deaths and illnesses. U.S. capitalism's crash in 2020 and into 2021 was severe and then was followed immediately by a bad inflation and then a fast, destabilizing tightening of credit: not exactly a stellar economic record. Debt levels of the U.S. government, corporations, and households are at or near record levels. Inequalities of wealth and income, already extreme, keep rising. A public viewing such facts might reasonably wonder whether something bigger is at play beyond these events being seen in isolation. Might there possibly be a systemic problem?

But before such a line of thought can jell into a conscious question, let alone any serious pursuit of an answer, denial sets in. A systemic breakdown seems an unbearable thought, so denial of systematicity is undertaken. Statements about specifics are carefully crafted to omit connecting them to their context of a declining capitalist system. Evasion of the systemic dimension leads to undervaluing the dangers each particular problem or crisis presents. Like rose-colored glasses, anti-systemic glasses make economic problems appear less dangerous, narrower, and more limited in effects than they actually are. The anti-systemic bias is a form of denial.

Consider, for example, Treasury Secretary Janet Yellen or other officials when they bemoan deepening U.S. economic inequality. They do not refute nor even seem able to imagine that within a declining capitalism, the richest and most powerful will use their positions to shift the costs of its decline onto others. For example, raising interest rates these days to counter inflation—instead of imposing wage-price freezes like former President Richard M. Nixon did in 1971 or imposing a goods rationing system as former President Franklin D. Roosevelt did in the 1940s—is an anti-inflation policy choice. The burden of this option falls more heavily on middle- and lower-income recipients than on the rich. Similar cost-shifting is entailed by a policy of huge federal budget deficits because they are financed by borrowing disproportionally from (and thus paying more interest to) the richest parts of society. Yet mainstream G7 discussions of those policy choices and deficits rarely link them to the decline of U.S. capitalism and its global hegemony.

Complementing denial of systemic problems in G7 economies are loud pretenses about their good health in contrast to problems elsewhere. Like the repeated affirmations about a "great" U.S. economy contrasted with deep difficulties afflicting the Russian and Chinese economies. Ironically, those difficulties are regularly rendered as systemic, flowing from the "natures" of an "authoritarian" or socialist economic system. For example, in recent years, mainstream U.S. media reported that Russia's ruble would soon "collapse," that China's building boom was collapsing, that China's anti-COVID policies were wrecking its economy, and so on. Apropos Russia's economy, the late U.S. Senator John McCain dismissed Russia as a "gas station masquerading as a country." Around former President Donald Trump and President Joe Biden, the argument was often advanced that beyond all policy specifics (regarding tariffs, trade, sanctions, Hong Kong, and Taiwan), economic system change in China was necessarily a goal on the horizon.

Reality undermines these denials and pretenses. That is one reason why they struggle so hard to obscure reality. For example, China's economic performance, as measured by its world-leading GDP growth over the last quarter century, undergirds its confidence in and loyalty to its particular economic system. The BBC's graphic only further confirms that confidence. By the same logic, that graphic challenges the systemic self-confidence of the old G7 capitalist establishment. Denials and pretenses are not likely to be sustainable responses to the widening differences between G7 performance and the emerging (and already larger in GDP terms) alternative gathered around the BRICS (Brazil, Russia, India, China, and South Africa).

Of course, both G7 and BRICS are heterogeneous assemblages including many significant differences among their members. Nor is there any guarantee that either bloc will retain its capitalist or socialist components or make transitions between them. Relations between the G7 and BRICS, like any possible transitions among various forms of capitalism and socialism, are now crucial social issues and struggles. Social movements inside both blocs will shape those issues and those struggles. To do that, especially if wars are to be avoided, social movements will need to set aside denials and pretenses and face realities.

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