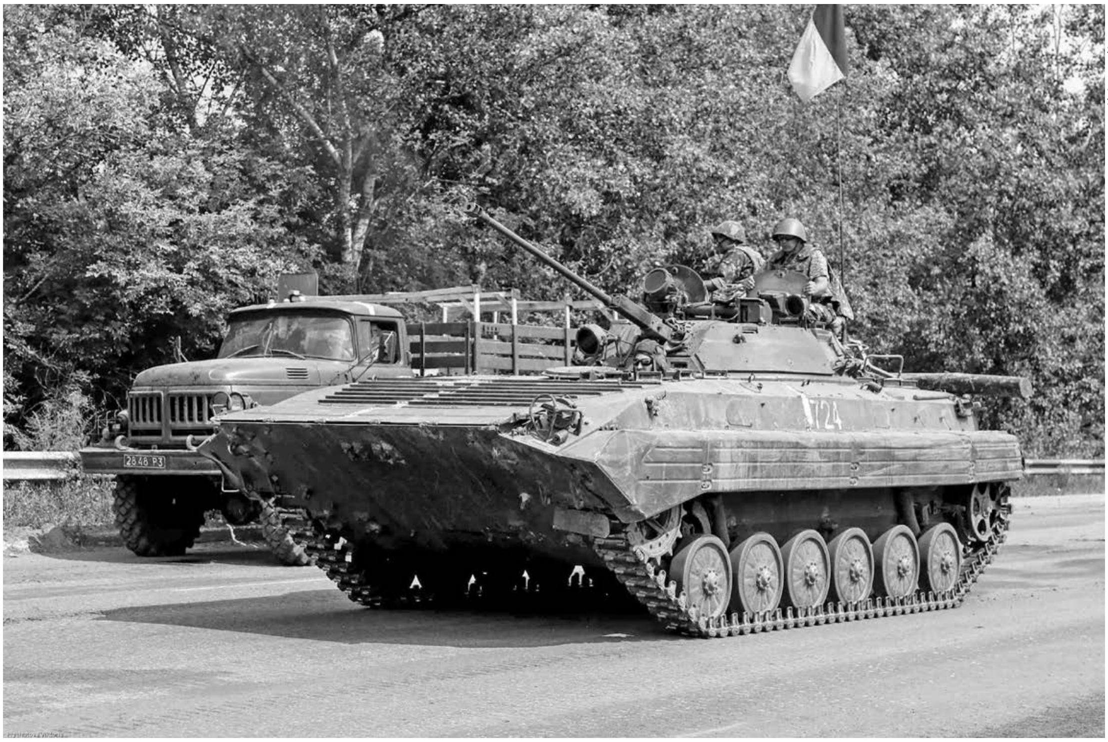

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Josefina Morales*

Inflation among the Twenty-First-Century's Intermingled Crises

Inflation reared its head again more than three decades later in the last months of 2022 as a central debate about economic policy. The focus was on monetary policy, given its relationship to devaluation and a supposed link to wage policy. It had not been an issue for reflection in the international sphere even though in the previous year indicators already existed of price increases for basic grains, particularly maize, while oil prices were returning to pre-pandemic levels, and gas prices were rising with an enormous impact on the cost of electricity. The greatest concerns revolved around public indebtedness and that of multinationals and households.

Russia's invasion of Ukraine swiftly revealed itself as a hybrid war between Russia and the United States-North Atlantic Treaty Organization (NATO). It has brought increased military spending, the huge profits of the lords of that industry and of the Pentagon, and a rise in prices in fuel and basic grains (maize, wheat), which had already risen the previous year. Added to this were rises in the price of fertilizers and food.

World Bank figures show hikes not seen since the 1970s when rates were between 16 and 25 percent in different countries. For example, the European Union logged

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13.16 percent in 1974 and 12.91 percent in 1980; the United States, 11.05 percent in 1974 and 9.14 percent in 1975; Mexico went from 23.78 percent in 1974 to 29.06 percent in 1977 and jumped to over 100 percent in 1982, with a maximum of 131.83 percent in 1987.[1] Another Latin American case is Argentina, which has suffered from hyperinflation on different occasions according to World Bank statistics.

Today's inflation hovers around 10 percent, with sectorial differences between branches of the economy and different impacts in the social sectors (more serious in the case of the retired and informal economy workers). This is intertwined with current recessive trends since the still-unresolved 2008-2009 crisis; and today, the ghost of stagnation with inflation is once again re-emerging, something which is not seen since the 1970s. The great crisis is, at the same time, part of multiple dimensions of the 1970s structural crisis of capitalism and, particularly, in its political dimension, which in recent years has come to the fore. This is especially clear in the case of the U.S. political regime's decomposition, evident in Trump's non-recognition of the 2020 elections and the country's declining world hegemony.

The Mexican mix of oil, for example, reached a peak price of US$86/barrel in 2013 and, in the pandemic year of 2020, plummeted to US$49/barrel. In November 2022, the Organization of Petroleum Exporting Countries (OPEC) price was US$94.23/barrel, and Mexico's crude closed in October at US$77.16, while the projected price for the 2023 budget was US$68.70/barrel.[2] The international price of a ton of maize in September 2022 was US$278.80, while in February 2020 it had been US$169. In this case in particular, the impact of the war between Russia and Ukraine-NATO was decisive.

Prices of some minerals also registered considerable hikes: coal rose from US$50/ton in 2020 to almost US$200 in 2022; aluminum reached US$1,731/ton in the last year. On March 9, 2022, World Energy Trade registered the price of a ton of nickel skyrocketing from US$20,000 in January 2022 to US$80,000 in early March, leading the London Metal Exchange (LME) to cancel nickel trading on March 8 due to the 250-percent increase in its price. On October 4, 2022, the LME reported that lithium prices increased almost 150 percent that year, reaching US$73,925/ton. Michael Robert shows that in general the global commodities index rose 51.6 percent from January 2004 to January 2022.[3]

In recent months, analysts have also estimated the impact of inflation in transport, fundamental in global value chains and trade, in the context of a worldwide geopolitical reconfiguration different from that of the 1980s and 1990s. "The cost of containers used in world transport increased from less than US$2,000 to almost US$11,000 at the end of 2021, while the costs of maritime transport rose 29 percent, and those of transport by truck increased 18.3 percent early this year."[4]

Together with inflation, clouds are appearing on the horizon of a contraction in the economy, which means, as several authors have argued, the threat of worldwide stagflation.

The Theoretical Debate

The critical reflection about inflation includes at least two currents of thought with diverse visions: Monetarists and Marxists. The former emphasize monetary circulation, and the latter, the social relations of production, monopolies, and price setting. The monetarist perspective is associated with the Chicago School, headed by Milton Friedman in the 1970s. His ideas went beyond inflation and the exchange rate; they were widely accepted and applied in Chile under the Pinochet dictatorship, and they have reemerged during the current debate about increasing interest rates as a fundamental and almost exclusive instrument for dealing with inflation. The second perspective is, in turn, present in different currents of critical thinking.

In his article "Capitalismo monopolista e inflación" (Monopoly Capital and Inflation), Harry Magdoff posited that the distortions created by these special causes of inflation (monetary manipulations and wars) are in and of themselves either products of capitalism's instability or measures taken to put an end to an incessant instability....With the appearance of monopoly capitalism, a secular trend in inflation was established. At times, cyclical depressions produced an adjustment by lowering prices, and at other times, super-inflation induced by wars frequently led to greater corrections in prices.[5]

The author reminds us of the inflation spurred by the Civil War. Magdoff states that the multifaceted elements that reinforce each other in inflation are all related in differing degrees with the nature and structure of monopoly capitalism.[6] Among the seven elements, he mentions the integration of the world capitalist system, which spreads inflation from one country to another; financial instruments for expanding giant corporations; monopolistic competition in the market; and the tendency to stagnation that leads to growing government economic activity, including monetary manipulation.

In a recent article, Michael Roberts warns,

> It's not demand that is "excessive," but the other side of the price equation, supply, is too weak. And there, central banks have no traction....And that supply squeeze is not just due to production and transport blockages, or the war in Ukraine, but in my view, even more so to an underlying long-term decline in the productivity growth of the major economies....U.S. labor productivity growth is now at its weakest for forty years. Indeed, before the COVID pandemic, the world economy was already slowing down towards a slump after ten years of a Long Depression.[7]

For this reason, Roberts thinks that raising interest rates to contain inflation will not have the hoped-for result.

Abelardo Mariña Flores also warns that "a generalized rise in interest rates may not be very effective for countering inflationary trends that are caused more by supply than by demand, in addition to having clear recessive effects."[8]

The Political Struggle over Inflation

For workers, the inflationary spiral drags down the buying power of their wages and affects the fight for its recovery; they have demanded wage hikes but have not been able to compensate for this loss. In Europe in particular, the excessive rise in the price of energy (gas and electricity) led to a hot summer and a harsh winter, leading to enormous social mobilizations in France, Spain, and England, just as strikes are multiplying in the United States.

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Magdoff warns that inflation serves to redistribute income in favor of certain sectors of the population and to the detriment of others. It is typically an instrument for protecting and expanding surplus value, that is, the part of the national product appropriated by the capitalists.[9] Michael Roberts states that "the mainstream economics charge that wage rises are causing the current inflation acceleration or even that future wage rises will do so is not backed by evidence historically."[10]

In our Americas, the relationship between inflation and the exchange rates is even more extreme, and workers are already facing problems of hunger in several countries and sectors. This shows that inflation is also a weapon of big capital against labor. Julio Gambina states, "Inflation is a manifestation of class struggle in the appropriation of income and the social product of labor."[11] VM

Notes

1 See www.bancomundial.org.
2 See blogs.worldbank.org.
3 Michael Roberts, "Will Global Inflation Subside?," https://thenextrecession.wordpress.com/2022/08/21/will-global-inflation-subside/, accessed August 29, 2022.
4 See the blog at noa.aon.es, accessed October 5, 2022.
5 Harry Magdoff, "Capitalismo monopolista e inflación," in *Problemas del desarrollo* no. 16 (March 1973), p. 7.
6 Ibid.
7 Roberts, op. cit.
8 F. A. Mariña, "América Latina: la nueva oleada progresista en el contexto de una crisis mundial integral," in *Nuestra América XXI. Alternativas y desafíos*, no. 73 (November 2022), p. 25.
9 Magdoff, op. cit., p. 6
10 Roberts, op. cit.
11 Julio Gambina, "Deuda e inflación en alza agrava impacto social regresivo en Argentina," *Nuestra América XXI, Alternativas y desafíos*, no. 66 (April 2022), p. 11.