Where has all the capital injected by the central banks gone?

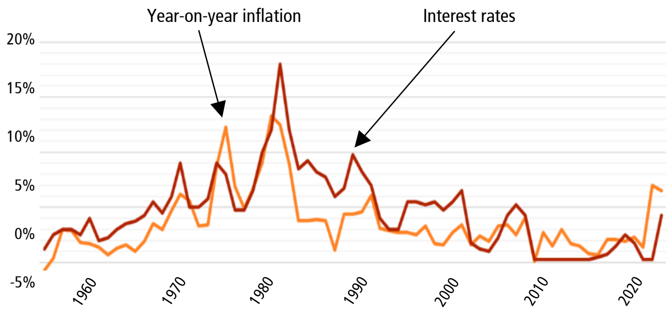
As we published in "The Internationalist Proletarian" No.9, since the beginning of 2020: *"central banks have injected 32 trillion dollars into markets around the world."* (Expansión, 03-01-2022). Now we can compare it with the following data, one year later: *"Global stocks and bonds lost more than $30tn for 2022."* (Financial Times, 30-12-2022).

The conclusion is obvious: the capital injected by the central banks into the drugged economy of world capitalism was transferred to the swelling of the world speculative bubble and has subsequently been incinerated when this bubble burst.

Getting some perspective on inflation

It is worthwhile to look at the sequence of interest rates compared with the sequence of year-on-year inflation since 1954. From an initial observation it is obvious that neither index currently approaches the two preceding historical peaks in 1973-74 and 1979-80. Secondly, it is noticeable that the interest rate has been above inflation in general except in 1972-1974, 2002-2005 and since 2008.

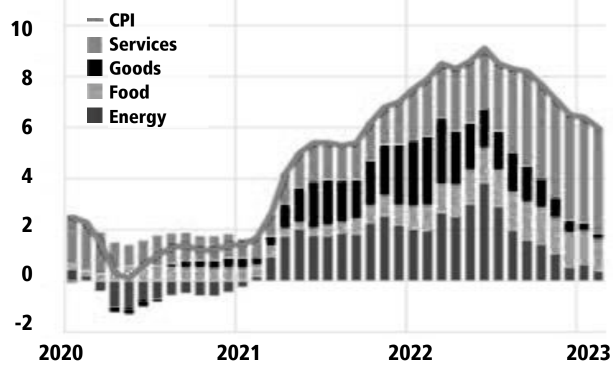
Year-on-year inflation vs. Fed interest rates



Inflation evolution in the US

Going back to the most recent period we see that inflation in the US peaked in June 2022 at 9.1% year-on-year, starting to gradually decline from that point onwards.

Annual percentage and components of inflation in the US

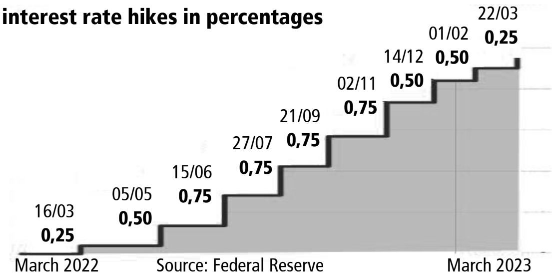


Sources: Eurostat, US Buraeu of Labor Statistics and ECB calculations

In the breakdown of inflation by its different components, the elements that first made it grow and then marked its decline appear clearly drawn: the increase in the price of energy and the increase in the price of goods. That is to say, the two elements that have reacted to the electroshock self-administered by capitalism with the confinements and subsequent epileptic resumption of circulation. Incidentally, it can be observed in the last section a temporary transfer of the price increases to food and services, although the total sum is decreasing. In the part of the review dedicated to the gradual easing of the supply chain inflammation and the energy price convulsions, we will look at the evolution of the processes that at the time triggered inflation and are now slowing it down.

Here we want to assess the effect of central bank monetary policy (not to be confused with government spending on investment, subsidies and aid) on this decline in inflation.

Fed interest rate hikes in percentages



The Fed began raising rates in March 2022, reaching the 1.5% level in June 2022. The question to consider is whether the increase in the cost of financing resulting from a 1.5% interest rate (or 2.25% the following month) has the restrictive capacity to placate an inflation rate that stands at 9.1%.

The increase in the interest rate is intended to make credit more expensive with the idea of slowing down demand. But let us now say that you expect that what you buy for 100 today will be worth 109.1 a year later (9.1% inflation). It doesn't look like you are going to hold back from taking the 100 on credit today knowing that you are going to have to pay back 101.5 (1.5% interest). In fact, you save 7.4: whether it is for resale or consumption, it still works out to borrow and buy today. The real phenomenon is more complex, but in any case, in June 2022 rates were far from having a really restrictive effect.

Monetary injection (interest rate cuts, quantitative easing) can produce inflation, yes, and monetary tightening can reduce inflation, yes, but both provided certain conditions are met. Under other conditions, it proves impotent (as from 2008 to 2019) or has a mostly secondary effect (as currently).

In general, the famous monetary policy always lags behind and, rather than having a direct influence, always reacts belatedly to more powerful forces that drive the depths of the capitalist system.

All the chaotic caroms that we will see below, produced by the action of the different agents of capital, prove the actuality and validity of the words of the Manifesto of 1848 when it states that the bourgeoisie: *"is like the sorcerer who is no longer able to control the powers of the nether world whom he has called up by his spells."* (Manifesto of the Communist Party, 1848).

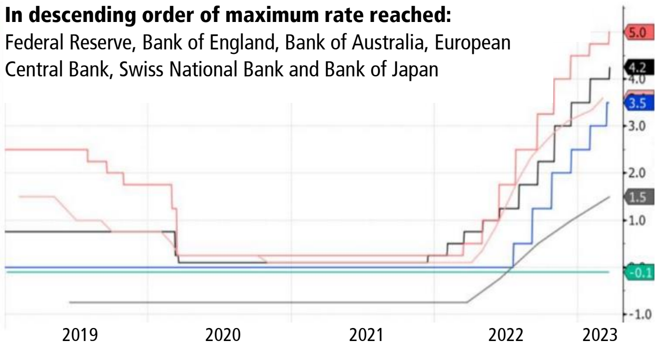
Interest rate hikes by central banks

Most of the world's central banks (with the notable exception of the Chinese central bank as we will see at the end of this article) have proceeded to raise interest rates, to slow down the intake of new debt on their balance sheets and to try to gradually start getting rid of it (see chart on next page).

World capitalism's withdrawal syndrome

As happens to heroin addicts, every time the capital injections are discontinued, the withdrawal syndrome reappears.

The Bank of England had started to reduce its balance sheet, but had to abruptly reverse the process. The reason was the fiscal reform that the Prime Minister intended to implement and which generated a massive debt sell-off in the face of speculators' distrust of the UK's resulting ability to pay: *"The Bank of England* *has extended its emergency £65 billion bond-buying program."* (Financial Times, 11-10-2022). Once the puppet which wanted to rule over the capitalists has been removed, the Bank of England has resumed the path of gradual reduction of its balance sheet, until the next shock.



Source: Bloomberg

In Japan, *"the BoJ bond buying on Friday marked the third day it made unscheduled purchase offers and increased December's buying total to about ¥17tn ($128bn) (…) On top of its scheduled daily bond-buying operations targeting the 10-year notes, the central bank's operation on Friday extended the buying offer to bonds of between one and 25-year maturities to a total of ¥1tn."* (Financial Times, 30-12-2022).

And we cannot forget that no longer expanding the balance sheet or even reducing it does not mean no longer intervening as a buyer in the debt market. *"Since July 2022, the ECB has not been buying new debt securities to swell its balance sheet. However, it does preserve the size of the already existing portfolio by acquiring bonds to replenish those that are progressively reaching maturity. (...) the institution continues to have a more than notable presence in the market and will acquire bonds worth more than 180 billion euros in 2023."* (Expansión, 16-01-2023).

Nothing more and nothing less than buying 180 billion euros a year to reduce the balance sheet!

We will see a few pages later what has happened to the balance sheet of the spiritual guide of the other central banks, the Fed.

Why does rising interest rates burst the speculative bubble?

Where the rise in interest rates does have an immediate impact is in the bursting of the speculative bubble, as explained in Part 5 of Book III of Capital:

"But in all these cases, the capital, as whose offshoot (interest) state payments are considered, is illusory, FICTITIOUS capital. (…) The formation of a fictitious capital is called capitalisation. Every periodic income is capitalised by calculating it on the basis of the average rate of interest, as an income which would be realised by a capital loaned at this rate of interest. For example, if the annual income is £100 and the rate of interest 5%, then the £100 would represent the annual interest on £2,000, and the £2,000 is regarded as the capital-value of the legal title of ownership on the £100 annually. For the person who buys this title of ownership, the annual income of £100 represents indeed the interest on his capital invested at 5%. All connection with the actual expansion process of capital is thus completely lost, and the conception of capital as something with automatic self-expansion properties is thereby strengthened.

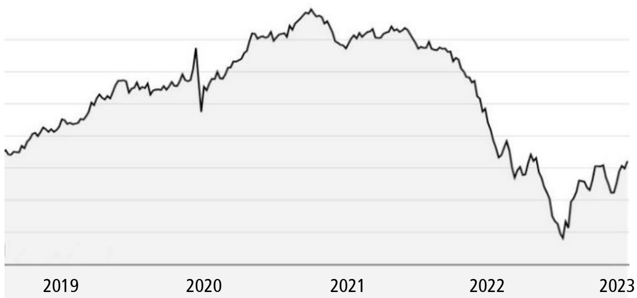
Even when the promissory note – the security – does not represent a purely fictitious capital, as it does in the case of state debts, the capital-value of such paper is nevertheless wholly illusory. (…) the ***price of these securities rises and falls inversely as the rate of interest****. If the rate of interest rises from 5% to 10%, then securities guaranteeing an income of £5 will now represent a capital of only £50. Conversely, if the rate of interest falls to 2½%; the same securities will represent a capital of £200. Their value is always merely capitalised income, that is, the income calculated on the basis of a fictitious capital at the prevailing rate of interest."* (Capital, Volume III, Part 5, Chapter XXIX, K. Marx).

The monetary withdrawal syndrome

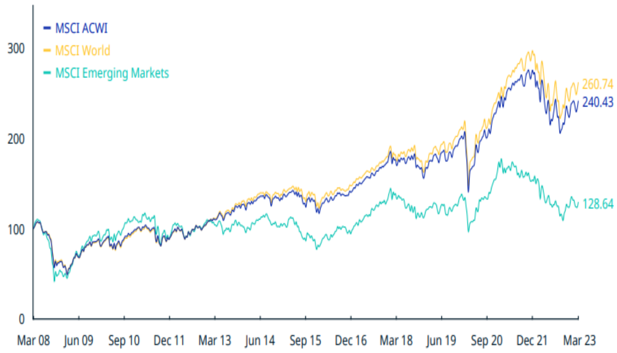
The withdrawal of the injections to the capitalist economy addicted to capitalism are only possible through an enormous withdrawal syndrome that takes the form of the bursting of the speculative bubble, through the massive destruction of the speculative capital: *"**an enormous quantity of these bills of exchange represents plain swindle, which now reaches the light of day and collapses;** furthermore, unsuccessful speculation with the capital of other people; finally, commodity-capital which has depreciated or is completely unsaleable, or returns that can never more be realised again."* (Capital, Volume III, Part 5, Chapter XXX, K. Marx).

The following charts show the preceding accumulation of the swelling and the subsequent pinch in the fixed income market and in the aggregate of the world stock markets. For fixed income, the onset of the slowdown is in January 2021 and for both the all-bond index and the fixed income aggregate, the sharpest drop is between February and October 2022.

Bloomberg aggregate fixed income



World stock market index



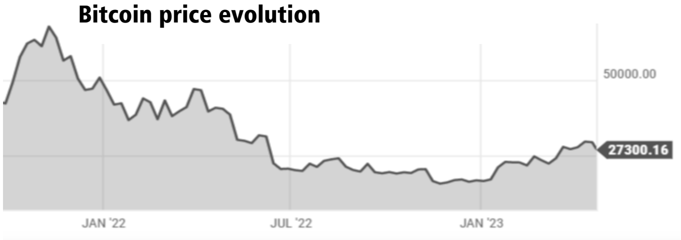
What is the reason for the most recent rebound?

Both graphs show a rebound at the beginning of 2023, which is due to the fact that, despite the rhetoric and the attempt to withdraw liquidity, in reality an effective injection of liquidity has been taking place, even before the last US injection that we will see later on: *"(…) combined injection of liquidity of more than one trillion euros made in recent months by several central banks: the European, the Japanese and the Chinese. In the case of the ECB, this flood of money would have been produced by the withdrawal of some 300 billion euros in deposits held by governments in that institution. The Bank of Japan would have* *dedicated 500 billion dollars to buy bonds, and the Bank of China would have lent 400 billion dollars to the country's entities."* (Expansión, 14-02-2023).

The cryptocurrency crash

Another element of the speculative bubble that has collapsed sharply is the cryptocurrency bubble. The left side of the chart shows the decline and the right side shows the current rebound. Press headlines as of the date of publication of this review no longer show the left side of the graph, which is very consistent with the capitalist's mental framework.

Bitcoin price evolution



Source: Y-charts

From today's investor's point of view, how important can the past be if here and now the price is rising? But the price will fall again at the next crash and the last to buy will lose the most. The analysis of the previous crash illustrates well the inevitable fate of the small investors, the future ruined: *"According to the Bank for International Settlements (BIS), (...) the average bitcoin investor loses approximately 50% of his investment (...) there is evidence that "large investors sold their positions at the expense of retail purchases". (...) The organization assures that in economies such as Brazil, India, Pakistan, Thailand and Turkey, practically 80% of users are registering losses. In the case of Spain, (...) the volume of users in losses would be around 70%-80% (...)".* (Expansión, 03-03-2023).

Central banks' losses

Central banks have gobbled up tons of debt that are now part of their balance sheet. The price of this debt, which they bought for a price that it no longer has, is DEPRECIATING as a result of the interest rate hikes carried out by the banks themselves. This in turn means LOSSES for these banks, as a result of their own actions.

"The Fed's last financial update, in September 2022, reveals paper losses of almost $1.3tn during the first three quarters of that year. Since then, 10-year Treasury yields have round-tripped from around 3.5 per cent to 4.25 per cent and back, suggesting the losses may be similar today. (…) The Fed's net income – mainly, the difference between what the Fed earns on its bond portfolio, and what it pays out to commercial banks on their reserves at the Fed – has also turned deeply red. The US central bank is now losing around $1bn per week. In 2023 the Fed is likely to turn in its first annual operating loss since 1915. (…) The Fed is not unique, however. All major central banks have haemorrhaged enormous mark-to-market losses over the past year. The Swiss National Bank is sitting on paper losses of $143bn. The Bank of England's hole is over $200bn. At the Bank of Canada, it's $26bn." (Financial Times, 01-02-2023).

The ECB *"presented its 2022 results with a net profit of zero, thanks to the release of €1.6 billion in provisions it had accumulated, which it has used to offset what would otherwise have been a year of heavy losses. (...) Last year is the first in which it has not generated returns since 2007, when it was also forced to leave its profit at zero and release provisions. (...) To locate a year of real losses you have to go back to 2004: it lost over €1 billion."* (Expansión, 24-02-2023).

As we will see soon, this is the same mechanism that would cause a commercial bank to fail. Fed analysts reassure themselves that "the Fed's mandate is neither to make profits nor to avoid losses". But if central banks are unable to avoid losses, if their own actions cause them losses, what will happen to commercial banks and companies subject to the same dynamics?

Debt devaluation and refinancing difficulties

Rising rates have reduced corporate debt bond issuance: *"Corporate bond issuance in Europe was down 38% in the second quarter compared to the same quarter in 2021, with €151 billion and 243 issues."* (Expansión, 11-10-2023).

The value of existing debt has also plunged, triggering its profitability, with the "only hypothetical risk" being that the company collapses and defaults. In any case, it represents a loss for those who have bought at nominal value and are forced to sell before maturity.

"Santander, Telefónica or CaixaBank have bonds that are currently trading below 70% of the price at which they were sold, which in a few years will return 100% to their owners, with the only hypothetical risk of one of them going bankrupt along the way, and which meanwhile give a yield of up to 8.5% per year. Repsol and Iberdrola also have debt below 80%, while there are BBVA issues that are just above that level. (...) there are not a few European entities with better credit that now have bonds trading at levels close to or even below those caused by the Lehman Brothers crash that unleashed the financial crisis, according to several investment banks. (...) fixed income guarantees that the investor will obtain 100% of the nominal amount at maturity. The only obstacle would be the collapse of the company." (Expansión, 11-10-2022).

"Bank of America has conducted a study to determine the amount of debt that 800 US companies (...) the companies scrutinized will face the repayment of $2.2 trillion (over €2 trillion) of their bonds and loans over the next three years." (Expansión, 23-11-2022). The problem will arise when the debt incurred at a ridiculously low interest rate cannot be repaid and the borrower will have to re-indebt by paying a much higher interest rate.

Deposit rates are reluctant to go up

Let us take the evolution of Spanish bank deposit rates as a mirror of the general situation in the EU *"between January and May, companies suffered negative rates of between 0.09% and 0.24% in the one-year term, where the bulk of contracting is concentrated (...) the average interest rate on new deposit transactions for non-financial corporations rose for the fifth consecutive month and stood at 0.73%. This is the highest level since 2014."* (Expansión, 03-12-2022). Despite the rise of interest rates, the tremendous excess liquidity is blocking the rise of deposit rates. They are no longer negative, but are reluctant to rise at the same level as interest rates. It can be observed that, for this reason, the ECB deposit rate largely determines the interest on deposits: *"The monetary authority pays financial institutions 0.75%, the equivalent of the deposit rate, for the 4.5 trillion euros of excess liquidity that they leave parked in Frankfurt. This is in addition to the conditional loans to banks (TLTROs) for which it also pays relevant amounts and which largely do not mature until June 2023."* (Expansión, 20-10-2022).

Minor speculators and treasury bonds

As yields on deposits remain low due to excess liquidity, there is a shift of investors towards treasury bonds. In the Spanish State, after a series of auctions with a demand that exceeded the amount of debt auctioned, the demand has been gradually reduced at the same time as the volume of large investors decreased and the influx of small investors multiplied.

In two consecutive auctions in March 2023, this was the situation: *"Although the volume remained strong, it was down by no less than 15% compared to the previous auction (...) small investors took approximately 30% of the entire placement"* (Expansión, 08-03-2023). *"The new State Treasury auction was marked by high demand, (...), 3.13 times the amount finally allotted. (...) The drop in demand in this auction compared to the previous one was due to lower demand from institutional and professional investors (...) The weight of retail investors is increasing and, on this occasion, they took a record figure of almost 45% of all the debt auctioned."* (Expansión, 15-03-2023).

Euribor, out of control

The Euribor index for terms of up to three months is out of control. Excess liquidity makes short-term financing operations between banks practically unnecessary and most of the operations used to calculate the index do not come from the main market but from operations of previous days or from other markets, turning it into a fictitious reference.

Bank share prices at lows

The flagships of finance capital, the banks, have not been doing very well in recent times in the TEMPLE of finance capital, the stock market: *"Banks are trading at 0.8 times their book value; other sectors are trading at 2.7 times book value (...) The profits of large European banks are rising sharply thanks to the four interest rate hikes in 2022. And the loan portfolio has significantly improved the banks' net interest margin for the first time in many years. However, not enough for profitability to make the necessary leap to cover the so-called cost of capital, the minimum requirement demanded by any shareholder who wants to invest in the sector. (...) More than half of the banks in the world have a profitability below the cost of capital and that makes them trade below their book value. (...) In Europe, only 25% of the 300 largest European banks trade with a capitalization above their book value."* (Expansión, 03-01-2023).

The yield curve inversion again

The following graph shows that the yield curve has been inverted in the US since June 2022 (see "The Internationalist Proletarian", No.9, April 2022, page 19).

10-Year to 3-Month Treasury Yield Spread

Source: Bloomberg & FRED

Bloomberg Global Agg 10+ year yield spread to 1-3 year yield

Source: Bloomberg

In the case of the EU, the curve at the time of writing this issue is also inverted. As the previous graph shows, the phenomenon was also occurring globally at the end of November 2022.

Bank failures in the US

In the context described above, on Friday, March 10th, 2023, the US bank Silicon Valley Bank failed. It is a small bank that alone will not bring down the US banking system, as are the other banks affected in a short time: Signature Bank (failed), First Republic Bank and Western Allianz Bank.

However, the sequence of events that led to its bankruptcy is very illustrative: *"it quadrupled its deposits to $189 billion in just four years – between 2017 and 2021 – while the bank's loan portfolio only increased from $23 billion to $66 billion during the same time. (...) The bank decided to invest its excess liquidity in US treasury bills and mortgage-backed securities (MBS), whose value has fallen due to rising rates (...) Booked at maturity, they did not incur any accounting losses to date. The bank's customers, mostly start-ups, decided to withdraw their money out of necessity, so the bonds had to be liquidated, thus making the losses effective."* (Expansión, 14-03-2023).

In other words, the overproduction of capital (which already existed and was multiplied by central bank injections) produced an increasing inflow of money into deposits and, at the same time, reduced the general need for credit. Since it was not possible to lend the capital parked in deposits to others through credit, it was invested in mortgage-backed bonds and US Treasury bonds.

The subsequent interest rate hike by the Fed has produced the stock market and bond market rout described above. Technology companies, which are the type of company in which the bank had specialized, were hit particularly hard. As these companies withdrew their money from deposits, the bank had to start selling Treasury bonds on the secondary market. And it had to sell them at their current, devalued price.

We have seen above that the price of this fictitious capital is determined by the interest rate. Why would someone buy on the secondary market a bond with a face value of 100 that will yield only 0.5% if one can buy another on the primary market with a yield of 3%? If the first bond is to be sold in the secondary market, its price will have to be adjusted downward so that the yield to maturity is equivalent.

Had this sudden need for liquidity not occurred, it would have held the bonds until the maturity date and the small bank would still be standing. But the sudden need happened and took the bank down with it. The "hypothetical risk" we have seen before, materialized.

Fortuity occurs at the intersection of necessary processes. The little SVB is not going to take the US economy by storm, but here's the question:

How many more banks and companies bought treasury bonds and other debt that has now been drastically devalued?

How many will be assaulted by the sudden need for liquidity that will impose losses on them?

The action of the ideal total capitalist

The US State guaranteed all deposits (but not stocks or bonds), even above the theoretical limit of $250,000 to try to stem the flight of deposits from small banks: *"Among 124 small- and mid-cap US banks, more than a hundred closed the day in the red."* (Expansión, 14-03-2023).

A line of financing based on the face (not real) value of the banks' bonds was also opened. In other words, heroin is again dispensed to the heroin addict: *"Lenders will be able to draw on the Fed's lending facilities for up to a year by pledging collateral such as government bonds, which will be valued at face value."* (Financial Times, 13-03-2023).

Besides, the agents of capitalism will always find one or more individuals to blame, so as to save the system. These individuals are the Silicon Valley Bank executives who sold off packages of shares before the disaster or the president of the Saudi National Bank who made the insubstantial statements that precipitated - after three previous years of agony - the bankruptcy of Credit Suisse and its purchase by UBS (with an approximate loss of 1 billion for the SNB).

On the contrary, we Marxists claim that it is the system that is in crisis, as we have seen up to this point and will see next.

The US public debt ceiling

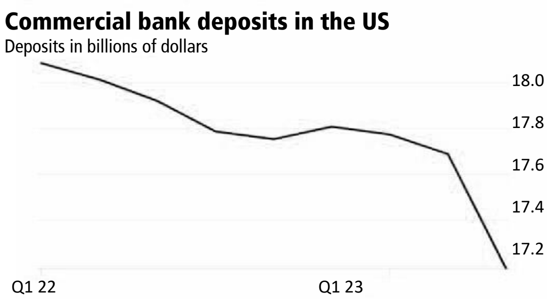
Before continuing, let's look at the current state of health of the State that stands as guarantor of bank deposits and its own Treasury bonds:

"The market has overlooked – for the moment – what happened on January 19, when the US government reached the public debt ceiling (31.4 trillion dollars) that Congress allows it to reach (...) "there is a high probability that this year will be much worse than in 2011", when there was only an agreement several days after the Treasury ran out of financing capacity and S&P lowered the rating of the United States, taking away the Triple A (...) S&P never upgraded again the AA+ with which it left the largest economy in the world." (Expansión, 26-01-2023).

Transfer of deposits from small to large banks and leakage out of the banking system

Despite the US action, the insecurity in relation to smaller banks has determined a flow of deposits to larger banks: *"Small banks in the United States suffered in one week the outflow of $109 billion in deposits (...) the country's largest banks recorded an increase of $120 billion in deposits (...) It represents the first annual drop in deposits in small banks since 1986".* (Expansión, 28-03-2023).

There has not only been a transfer from small banks to large banks, but also outward from the banking system as a whole. As we have illustrated above with the case of the Spanish banks, the overproduction of capital (excess liquidity), combined with the rise in interest rates is generating a hemorrhage in the deposits of U.S. banks.



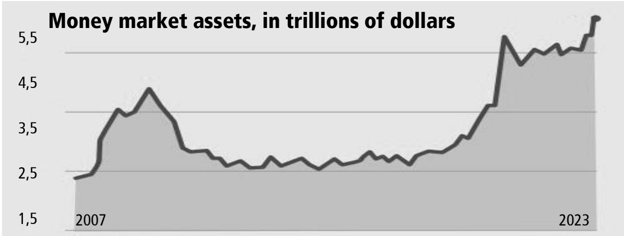
Source: Financial Times, 11-04-2023

As can be seen in the graph, this bleeding has been accentuated after the SVB bankruptcy but its beginning is dated a year earlier, already in December 2022: *"Deposits at US banks have fallen by more than $461 billion (431 billion euros) since the end of August, to $17.6 trillion, according to Fed data."* (Expansión, 15-12-2022).

Here again, what appears as the most immediate cause is actually one of the consequences of a deeper cause, which was already operating before the additional catalyst was produced and determines both phenomena.

Shift to money market funds

Part of the shift has been to the *"money market, which has grown in terms of assets under management by more than $300 billion in the last four weeks."* (Expansión, 25-03-2022).



Source: Bank of America

"Money market funds invest in a variety of short-term cash-like instruments. These include Treasury bills — US government securities that mature in a year or less — as well as repo agreements, a type of short-term lending secured by bonds that the borrower owns. Some money funds also invest in short-term corporate IOUs known as commercial paper. Right now, though, a massive chunk of the total appears to be simply warehoused in the Fed's overnight reverse repo facility rather than finding its way back into the economy." (Bloomberg, 31-03-2023).

In the current context of capital overproduction, injections of capitalism fail to be integrated into production, and yet, after the abstinence spasm, injections are once again unleashed.

Injection of dollar liquidity to central banks

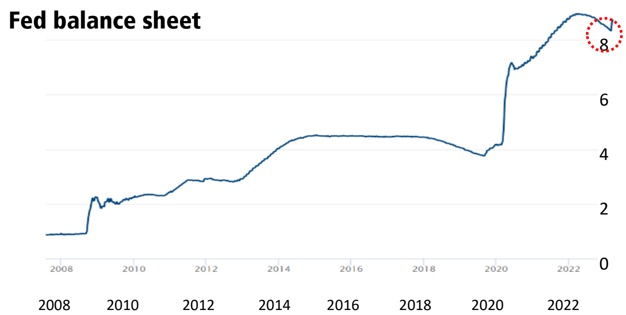
To ensure the supply of dollars, the ECB and the central banks of Canada, Switzerland, the United Kingdom and Japan have agreed with the Fed to move the frequency of liquidity swaps from weekly to daily, starting on March 20th and lasting at least until the end of April: *"Foreign central banks liquidated Treasury holdings at the fastest clip in nine years and tapped a key Federal Reserve facility to raise cash as banking stress roils markets. (…) At the same time, the US central bank's recently-established Foreign and International Monetary Authorities, or FIMA, repurchase agreement facility was tapped for a record $60 billion, data show, dwarfing the $1.4 billion peak reached during the height of the pandemic."* (Bloomberg, 24-03-2023).

Injection of liquidity to US banks

US commercial banks are making heavy use of the liquidity injection mechanism: *"Borrowing through this program, which allows banks to pledge at face value the bonds on their books, increased to a daily average of $34.6 billion (...). This Wednesday, borrowing exceeded $50 billion."* (Expansión, 25-03-2023).

Fed balance sheet swells again

And as a result of the renewed liquidity injection: *"In the slightly more than two weeks that the emergency liquidity tool for banks, known as BTFP, has been in place, the institution's balance sheet has risen by more than $400 billion. This means that the volume of assets has returned to $8.7 trillion and is just $200 billion short of the all-time high reached in March 2022."* (Expansión. 03-03-2023).



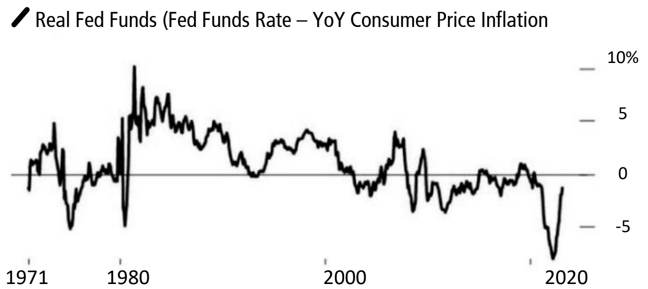
What about debt with a negative nominal yield?

In January 2023 the bourgeois press was celebrating the demise of bonds with negative nominal yields, with words like "requiem to negative debt", "end of an era" and the like.

But a little more than two months later: *"In these stormy weeks, the volume of negative interest-bearing debt has risen to two trillion dollars worldwide. That is back to levels not seen since the summer of 2022, a time when some central banks had not yet even abandoned the price of money below 0%. (...) It is the volumes recorded outside Japan that have put negative-return securities back on the market map. Investors have bought notes and short-term bonds with a negative return in the secondary market."* (Expansión 25-03-2023).

What about real bond yields?

To see this, we have to discount inflation and then we see that a large mass of bonds actually has negative yields. The result for the US is the following graph:



Source: Bloomberg

Will the Fed be able to stick to its plan to raise interest rates?

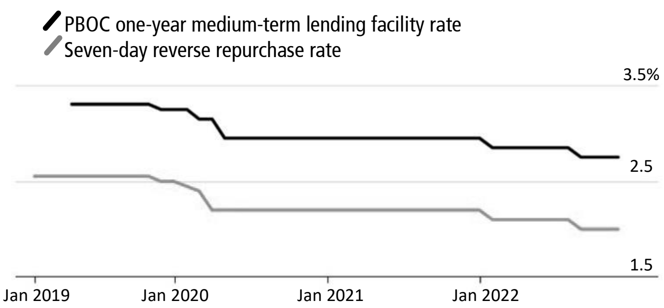
The facts above illustrate how it is not the will of the central banks that governs the economy, nor their monetary policy, but that they are effectively marionettes under the control of more powerful forces.

Independently of the electroshocks that capitalism manages to apply to itself in the form of wars, crises and collapses, the historical tendency of its development is to the relative overproduction of capitals: the tendency to the reduction of the unit value of commodities, the decreasing tendency of the rate of profit with its corresponding decreasing tendency of the rate of interest and the swelling of fictitious capital (see "The Internationalist Proletarian" No. 6, p. 9).

Any illusion of escaping from these laws of the development of the capitalist system in the long run is just that, an illusion of the marionettes of this very system. Attempts to impose their will on the capitalist economy always end up with the capitalist economy violently imposing its necessity on the unconscious agents of capital.

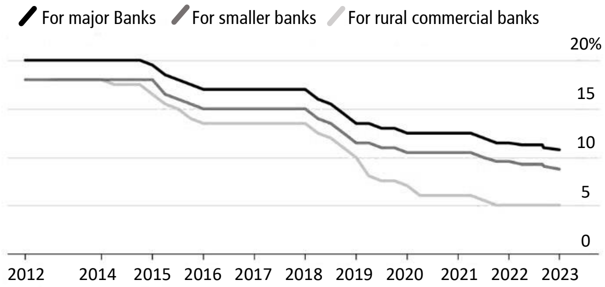
The actions of the Central Bank of China

Interest rates in China have tended to decline in recent years (see "The Internationalist Proletarian" No. 9, p. 20):



Source: People's Bank of China

Reserve requirements for banks have also been progressively reduced, most recently in March 2023.



Source: People's Bank of China

Chinese companies on world stock exchanges

The US Congress *"passed legislation to speed up the timeline for kicking companies off the New York Stock Exchange and Nasdaq if Washington regulators can't fully review their audit work papers. (...) The provision (…) speeds up the delisting process to two years from three and could affect roughly 200 companies from Hong Kong and China that trade on US exchanges."* (Bloomberg, 23-12-2022). Yet it is symptomatic that it is being approved just when the regulator claims to have finally obtained the necessary access. Meanwhile, *"Ten companies debuted on the Shanghai and Shenzhen stock exchanges, raising a total of $3.1 billion (€2.85 billion)."* (Expansión, 11-04-2023).

Capital is impersonal, it has neither homeland nor nationality, and so Chinese companies are conquering the Swiss stock exchange and as many others as necessary: *"Nine Chinese companies went public in Zurich last year, raising 3.2 billion dollars (3 billion euros), (...). This figure far exceeds the $470 million they raised in New York, according to Dealogic data. (...) if all the Chinese companies that have announced plans to debut on the trading floor go ahead, "it will be more capital than was raised in all the European IPOs last year"."* (Expansión, 08-03-2023).

Gestation of dollar displacement

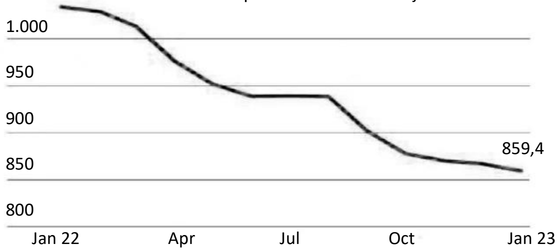
With the use of the dollar's position as a weapon of war against Russia, the tendency of the other capitalist powers to equip themselves with alternative means and instruments of payment to the dollar has accelerated. In addition, the swings in the strength of the dollar *"will also result in an additional reason for the rest of the world bourgeoisies to settle their trade in other currencies so as not to be subject to the Fed's swings against the dollar."* (The Internationalist Proletarian No. 10, p. 9).

The central banks of China, Russia, Turkey, Uzbekistan, Qatar, are buying extraordinary amounts of gold: *"Data compiled the World Gold Council, an industry-funded group, has shown demand for the precious metal has outstripped any annual amount in the past 55 years. (…) In 1967, European central banks bought massive volumes of gold from the US, leading to a run on the price and the collapse of the London Gold Pool of reserves. That hastened the eventual demise of the Bretton Woods System (…) Last month the WCG estimated the world's official financial institutions have bought 673 tonnes. And in the third quarter alone central banks bought almost 400 tonnes of gold, the largest three-month binge since quarterly records began in 2000. (…) China had bought tonnes of gold around the high-200s mark."* (Financial Times, 29-12-2022).

On its side, China has dumped some 200 billion in U.S. Treasury bonds since January 2022.

US treasury bonds held by China

Billions of dollars. Source: U.S. Department of the Treasury



The preparation of new alternative currencies

Regarding the currency as an instrument of circulation and as a means of payment, several alternatives are being developed which, if they materialize, will erode the channels dominated by the dollar: *"The Brazilian government announced on Wednesday an agreement with its Chinese counterpart to carry out transactions in their own currencies, (...) converting Brazilian reais to yuan, and vice versa, avoiding the conversion to dollars, as is customary in international transactions"*. (El Universal, 29-03-2023).

Moreover, part of the Saudi oil may be purchased in yuan and the current sale and purchase of Russian gas and oil in rubles, rupees and yuan.

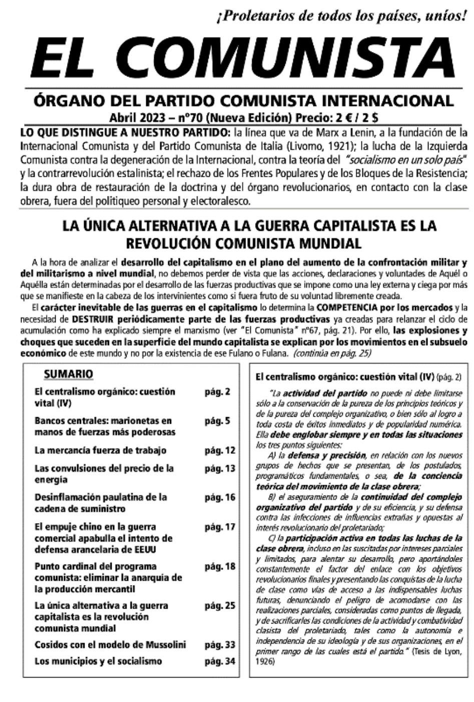
"The BRICS group of countries, (...) is working on creating a new form of currency to (...) be used for trade (...) during a Russian-Indian business forum being held in New Delhi, India. (...) the single BRICS currency could be backed by gold, metals, land, tracts of land and other commodities. (...) finance ministers and central bank governors from ASEAN nations, [discussed] *the need to "reduce dependence on the U.S. dollar, euro, yen and pound sterling" for financial transactions. ASEAN countries propose a local currency transaction scheme, whereby cross-border digital payments can be made between these nations, promoting the use of local currencies for trade (...)"* (El Universal, 31-03-2023).

On January 8, 2023, an attempted coup took place in Brazil, promoted by Bolsonaro's pro-US current. A few days later, it was announced that Brazil and Argentina would present a joint currency for commercial exchanges that they will propose to extend to other Latin American countries: *"A monetary union covering all of Latin America would represent about 5% of world GDP, behind only the euro, which covers 14% of the global economy. Other minor currency blocs include the CFA franc, used by some African countries and pegged to the euro, and the Eastern Caribbean dollar."* (Expansión, 23-01-2023).

This does not mean that the US has lost all ability to resist being displaced as evidenced by the attempted coup in Brazil or the pressures on banks to exit the Mir payment network.

"Of the nine countries that had signed on to Mir, set up by Russia after the first wave of US restrictions back in 2014, banks in six have dropped it in the two months since the Treasury Department issued its warning in September. (…) Only Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan still accept it." (Bloomberg, 22-11-2022).

The creation and consolidation of these currencies will not necessarily be an easy process or free of opposition and resistance, but they mark a direction: the **incremental weakening of the role of the dollar** as the world's hegemonic currency. In "The Internationalist Proletarian" No. 7 (page 12) we can see how quickly the dollar displaced the pound sterling in its role as reserve currency. And it cannot be forgotten that: *"(…) the establishment of the dollar as reserve currency was not a coincidence of fate. It had a material cause: the U.S. victory in the Second World War, the destructive power shown in the atomic assassinations of Hiroshima and Nagasaki that followed the criminal bombings of Dresden and Hamburg. The division of the world carried out at Yalta and Potsdam no longer corresponds to reality. The United States have proved powerless to halt its decline, but the fall of the dollar as the world reserve currency would place the American bourgeoisie before the unavoidable dilemma: die killing or die agonizing."* (The Internationalist Proletarian No. 7, p. 13).



¡Proletarios de todos los países, uníos!

EL COMUNISTA

ÓRGANO DEL PARTIDO COMUNISTA INTERNACIONAL

Abril 2023 – nº70 (Nueva Edición) Precio: 2 € / 2 $

LO QUE DISTINGUE A NUESTRO PARTIDO: la línea que va de Marx a Lenin, a la fundación de la Internacional Comunista y del Partido Comunista de Italia (Livorno, 1921); la lucha de la Izquierda Comunista contra la degeneración de la Internacional, contra la teoría del *"socialismo en un solo país"* y la contrarrevolución estalinista; el rechazo de los Frentes Populares y de los Bloques de la Resistencia; la dura obra de restauración de la doctrina y del órgano revolucionarios, en contacto con la clase obrera, fuera del politiqueo personal y electoralesco.

LA ÚNICA ALTERNATIVA A LA GUERRA CAPITALISTA ES LA REVOLUCIÓN COMUNISTA MUNDIAL

A la hora de analizar el **desarrollo del capitalismo en el plano del aumento de la confrontación militar y del militarismo a nivel mundial**, no debemos perder de vista que las acciones, declaraciones y voluntades de Aquél o Aquélla están determinadas por el desarrollo de las fuerzas productivas que se impone como una ley externa y ciega por más que se manifieste en la cabeza de los intervinientes como si fuera fruto de su voluntad libremente creada.

El **carácter inevitable de las guerras en el capitalismo** lo determina la **COMPETENCIA por los mercados** y la necesidad de **DESTRUIR periódicamente parte de las fuerzas productivas** ya creadas para relanzar el ciclo de acumulación como ha explicado siempre el marxismo (ver "El Comunista" nº67, pág. 21). Por ello, **las explosiones y choques que suceden en la superficie del mundo capitalista se explican por los movimientos en el subsuelo económico** de este mundo y no por la existencia de ese Fulano o Fulana. *(continúa en pág. 25)*

SUMARIO

El centralismo orgánico: cuestión vital (IV) (pág. 2)

*"La **actividad del partido** no puede ni debe limitarse sólo a la conservación de la pureza de los principios teóricos y de la pureza del complejo organizativo, o bien sólo al logro a toda costa de éxitos inmediatos y de popularidad numérica. Ella **debe englobar siempre y en todas las situaciones** los tres puntos siguientes:*

*A) la **defensa y precisión**, en relación con los nuevos grupos de hechos que se presentan, de los postulados, programáticos fundamentales, o sea, **de la conciencia teórica del movimiento de la clase obrera**;*

*B) el aseguramiento de la **continuidad del complejo organizativo del partido** y de su eficiencia, y su defensa contra las infecciones de influencias extrañas y opuestas al interés revolucionario del proletariado;*

*C) la **participación activa en todas las luchas de la clase obrera**, incluso en las suscitadas por intereses parciales y limitados, para alentar su desarrollo, pero aportándoles constantemente el factor del enlace con los objetivos revolucionarios finales y presentando las conquistas de la lucha de clase como vías de acceso a las indispensables luchas futuras, denunciando el peligro de acomodarse con las realizaciones parciales, consideradas como puntos de llegada, y de sacrificarles las condiciones de la actividad y combatividad clasista del proletariado, tales como la autonomía e independencia de su ideología y de sus organizaciones, en el primer rango de las cuales está el partido."* (Tesis de Lyon, 1926)