

The International Communist Party

Newspaper of the International Communist Party

February/March 2025

WHAT DISTINGUISHES OUR PARTY – The line running from Marx to Lenin to the foundation of the Third International and the birth of the Communist Party of Italy in Leghorn (Livorno) 1921, and from there to the struggle of the Italian Communist Left against the degeneration in Moscow and to the rejection of popular fronts and coalition of resistance groups – The tough work of restoring the revolutionary doctrine and the party organ, in contact with the working class, outside the realm of personal politics and electoralist manoeuvres

Issue 62
1\$ 1£ 1€

Oligarchy in the U.S.? Only a Workers' Revolution Can Stop Capital's Onslaught

Recently, the Trump administration has put forward a number of "outrageous" proposals including the annexation of Canada & Greenland, two countries with rich arctic shale oil & gas reserves. He has proposed to annex Gaza for a Middle East "Riviera" real estate project, while offering to broker a peace deal in Ukraine in exchange for direct control of rare earth mineral mines, amid a myriad of other hawkish threats directed at countries in the Western Hemisphere. While the liberals cry "oligarchy!" and "coup!" against democracy, there will be no return to "normal" & the reason behind the "madness" has nothing to do with the bourgeoisie chosen carnival barker, but is the product of the inevitable and world historical unfolding of capitalist economy whose highest stage is imperialism & fascism. A stage of human development which can only be brought to an end by international communist revolution.

The United States as with all the other world capitalisms is on the verge of a major economic catastrophe as a result of the global overproduction crisis. The exploding public and government debt, necessary for holding the world economy together after the 2008 financial crisis, is now at increasing risk of default year after year, something that has potential to erupt into the largest economic cataclysm in world history. As rival imperialist powers also continue their ascent, the U.S. bourgeoisie is in desperate straits finding fewer and fewer opportunities to simultaneously grow it's profit margins and pay it's debts.

Behind the dominant faction of the bourgeoisie in Washington are the interests of big oil, big tech and big auto. They aim to reassert the U.S. as an industrial and manufacturing powerhouse by kick starting an artificial intelligence (AI) industrial explosion fueled by cheap oil & cheapened labor, leveraging the U.S. new status as the largest producer of oil to corner the world energy markets, and maintain the subordination of potential rival imperialism in the U.S. orbit through ensuring their continued dependence on American imports and exports, as they build a protectionist wall to cut out Chinese companies that are hopelessly outcompeting U.S. corporations.

To "save America", through the Republican Party they have united around the program of the far-right Heritage Foundation, which seeks to discard the prevailing norms of the domestic and international bourgeois legal order and alliance systems, downsizing the U.S. "administrative state" while promoting a litany of private-public projects aimed at renewing U.S. infrastructure and deepening nationalist and conformist indoctrination and terror, taking these desperate measures to attempt to ensure labor's total subordination.

Big Debts

At the height of U.S. power following the two World Wars, the country was by far the world's largest creditor. Through institutions such as the International Monetary Fund, the World Trade Organization, and initiatives such as the Marshall Plan it financed the rebuilding of world capitalism through issuing massive loans and binding countries around the world to the U.S. dollar as its reserve currency.

As Capitalism has played its natural course, the United States is no longer the world's largest financier but instead, its largest debtor. On the second day of Trump's second term in office, the United States reached its \$36.1 trillion annual borrowing ceiling. The ceiling forced the Treasury Department to take "extraordinary measures", which are expected to hold the government over until March 14th, in order to continue US expense payments and avoid defaulting on government loans; however, it appears that congress will squabble until the last moment to finalize a plan, once again risking default.

According to the country's largest hedge fund founder Ray Dalio in early February, the "The United States is currently in a 'death spiral' of debt that could lead to an economic 'heart attack'". The potential for a U.S. default on its loans has increased dramatically in recent years, something that if it were to happen could trigger an economic cataclysm, global recession, frozen credit markets, plunging stock markets and mass worldwide layoffs. According to the Treasury Department, as of February 5th, in only one month's time, already 60% of the department's debt-cap measures had been exhausted, having only \$133 billion left of the \$338 billion authorized.

The United States is currently in \$35 trillion worth of debt and the current proposed Republican Budget would add \$4 trillion more to the debt. With a current value of around \$28 trillion, the U.S. Treasury market is the world's biggest bond market and is crucial to the

U.S. government's ability to finance itself and maintain stability of global financial markets. In 2013 the country's debt to GDP ratio surpassed 100%. In 2023 it hit unprecedented levels of 123%, thus with each passing year it becomes less and less likely the U.S. will actually be able to pay it back. In fact, spending increased 50% between 2019 and 2021 due to pandemic tax cuts, stimulus programs, increased spending, and decreased tax revenues resulting from widespread unemployment.

Government debt is accrued by issuing U.S. treasury bonds which are purchased on a market by foreign countries and private investors that buy in expectation consistent and stable returns; however, if the government is unable to service their debt payments, the whole system implodes. As the current administration lobbies congress to remove the debt ceiling completely while maintaining large tax cuts, it is unlikely that the overall debt to GDP ratio will close anytime soon, even with significant spending cuts, thus only adding to the growing uncertainty and potential of a major financial crisis.

According to the S&P in 2024 corporate bankruptcies hit their highest level since their peak following the 2008 financial crisis in 2010, with over 694 filings in 2024, accompanied with a large increase in delinquency rates on loan repayments. The retail sector hit with consumer budgets tightening due to inflation saw 108 companies file for bankruptcies followed by industrial and healthcare industries with 88 and 65 firms respectively. Over 30 companies that filed for bankruptcy had more than \$1 billion in liabilities, including big names such as Party City, Spirit Airlines and Red Lobster. Credit-rated nonfinancial US companies held a record of \$8.45 trillion worth of debt in 2024.

Inflation remains a lingering risk that could erode consumers' buying power and long-term corporate bond returns, and is likely to increase with more tariffs.

Household debts are also growing at an alarming rate, according to the New York Fed overall household debt levels increased by 0.5% to \$18.04 trillion, credit card balances topped \$1.2 trillion, rising 7.3% from the fourth quarter of last year with 33% of Americans having more credit card debt than savings. The share of households becoming seriously delinquent (90+ days delayed payment) on their auto loans and credit cards are at 14-year highs, with 3.6% of the overall debt becoming delinquent in the final three months of 2024, the most since the second quarter of 2020.

The increasing threat of a default, has already led to the downgrade of the U.S. federal government's credit rating by several credit rating agencies. The major agency Standard & Poor's (S&P) reduced the country's rating from AAA (outstanding) to AA+ (excellent) in 2011 due to projections of net government debt rising to about 80 percent or more of GDP by 2013 and Fitch Ratings lowered the country's credit rating to AA+ from AAA in 2023 due to the government delaying a debt ceiling agreement that year. For the consumer, a worse government credit rating leads to higher interest rates for payments on mortgages, auto loans and credit cards. A diminished credit rating is one part of a sequence of events that could eventually lead investors to feel the U.S. is less likely to pay off its debt, accordingly, more investors will demand higher interest rates for loans to compensate for growing risk and, in turn, U.S. debt would become more expensive. This will make it more difficult for the government to afford running its deficit spending for its budget and force it to cut back its program spending.

Ahead of Trump's victory, Japanese investors offloaded a record \$61.9 billion of the securities in the three months ended Sept. 30, according to data from the US Department of the Treasury. Funds in China also sold off \$51.3 billion during the same period, the second biggest sum on record. Japan and China still own \$1.02 trillion and \$731 billion worth of Treasuries respectively, underscoring their power over the US debt market; however, the bond market has been in a "free fall" since the election, only flatlining in recent days. The economic reality of the American bourgeois state is that it must service its growing debt, financially it has very little room to maneuver without risking facilitating a global economic meltdown, potentially unlike what has ever been experienced in world history.

Thus, the fascistic orgy taking place in the White House is a desperate attempt by the American big bourgeoisie to avoid the existential fires mounting all around the capitalist system which is on the verge of economic cataclysm. While they claim to be stripping down the government of non-essential functions in an alleged attempt to lower the national debt, their actual proposals only enlarge the debt by increasing budgets for lucrative government contracts and

retaining 4.5 trillion in tax cuts for the ultra wealthy, while squeezing the working class for every drop of surplus possible through increasing taxes on consumers in the form of tariffs, rising consumer costs and repression of wages amid increasing demands for repayment on private debts such as student loans.

As the rapidly enlarging national debt becomes more and more insurmountable, making any new major initiative on the part of the government increasingly financially risky, the grand vision to save America, via an economic autarky built on headline tariffs, large scale public works projects, fueled by territorial conquests abroad under a renewed Manifest Destiny have so far fallen flat with Mexican and Canadian tariffs having to be canceled due to poor stock market response.

Despite promises of lowering inflation, the administration proves itself unable and uninterested in reducing the price of consumer goods such as eggs and its trade war policies will only lead to rising prices.

On the coattails of a campaign jammed packed with fevered dreams of a new utopian American Reich, the reality is that three weeks into the new administration and the government can barely manage to keep the lights on; however, the government now openly states that the average American must endure some "pain" in expectation of future prosperity and America becoming a "rich" country again. Thus to ward off the impending economic apocalypse the dominant section of the bourgeoisie put their hopes in reorganizing the economy around an industrial and manufacturing boom led by a massive artificial intelligence (AI) infrastructural expansion powered by an abundance of cheap energy resources.

Big Tech & the AI "Coup"

As we have pointed out, the debt to GDP ratio gap in the United States has continued to grow year after year, likewise the U.S. GDP has in recent decades averaged to around 2-3% growth annually about half the rate of countries such as India and China. Thus the U.S. economy must eventually close these gaps or face its demise. Major financial institutions such as Goldman Sachs have pointed to AI as the solution to increase U.S. GDP growth, eventually increasing it to upwards of 7% annually by vastly increasing average worker productivity by automating an estimated 25% of work tasks and generating productivity growth by 1.5 percentage points annually. According to Goldman Sachs, "Assuming workers aren't permanently replaced by automation and there's capital to support the increase in productivity, the increase in productivity could boost long-run worldwide GDP by as much as 15%", executives anticipate a small impact from AI on activity and hiring needs in the next 1-3 years but a much larger impact in the next 3-10 years. Sachs, further notes that information and communication technology (ICT) investment has already been the main driver of productivity growth in major economies over the last 20-30 years. While, the underlying productivity growth has been slowing, they say that research suggests that growth in total factor productivity tends to slow over time as countries develop, except during rare "regime shifts" such as those triggered by the "first and second industrial revolutions".

The global artificial intelligence market size was estimated at USD 196.63 billion in 2023 and is projected to grow at a compound annual growth rate of 36.6% from 2024 to 2030. AI has proven to be a significant element of the upcoming digital era. Tech giants like Amazon.com, Inc.; Google LLC; Apple Inc.; Facebook; International Business Machines Corporation; and Microsoft are investing significantly in research and development of AI, thus increasing the artificial intelligence market cap. The AI market is also characterized by a high level of merger and acquisition activity by the leading players. This is due to several factors, including the desire to gain access to new AI technologies and talent, the need to consolidate in a rapidly growing market, and increasing military strategic importance of AI. This industry has also been subject to increasing regulatory scrutiny due to concerns about the potential negative impacts of AI, such as algorithmic bias, privacy violations, and job displacement. As a result, governments around the world have begun developing regulations to govern the development and use of AI, angering many of the tech oligarchs who now wish to dispense of these troublesome and foolish employees.

To move the United States forward as a leader in the anticipated AI "technological revolution", a massive \$500 billion AI infrastructure initiative called the "Stargate Project" has been proposed by OpenAI, Oracle, SoftBank, and an Abu Dhabi-based investment

fund called MGX which will open massive data centers around the US to massively expand AI. Oracle said in a statement the project aims to support the "re-industrialization of the United States," providing 100,000 jobs and boosting capabilities to protect the "national security of America and its allies." According to Fortune, the joint venture will invest an initial \$100 billion of private capital to fund U.S. AI infrastructure, with a further \$400 billion expected over the next four years.

Trump said he would help with other emergency declarations to get more AI infrastructure off the ground, citing the need to keep AI development in the U.S. He's expected to issue a spate of executive orders to ensure new data centers built in connection with the investment will have enough energy. According to Technology Review, Much of the groundwork for this project was laid in 2024, when OpenAI increased its lobbying spending sevenfold and AI companies started pushing for policies that were less about controlling problems like deepfakes and misinformation, and more about securing more energy.

The amount of energy required for the most advanced AI systems could reach unforeseen levels. For example, Microsoft's planned Stargate AI Supercomputer data center alone may require as much as four to six gigawatts of power, almost the equivalent to the power needs of a large city such as New York. According to Datacenter Dynamics, In the last three months, ExxonMobil and Chevron, the two largest oil and gas companies in the US, announced plans to develop gas-fired power plants to serve the data center market, citing AI power demand as the primary driving force, in addition to several new facilities they have already built last year to service AI demand. The growth of the AI sector led global market intelligence agency S&P Global to project last year that demand for natural gas to support data centers could reach up to three billion cubic feet per day (bcf/d) by 2030. According to midstream energy and refining managing director Micheal Grande "It's faster to power data centers with gas than to wait for emerging clean energy technologies."

Despite the anticipated growth, Chinese innovation once again threatens U.S. Capital. Last month a small Chinese company unveiled a new AI technology called "Deepseek" that has thrown big Tech in the U.S. in a panic, jeopardizing their plans for a massive economic overhaul. Deepseek is a new AI program which operates at approximately 1/10th the energy costs of current AI technologies in the United States. With the release of its V3 model in December, which only cost \$5.6 million for its final training run and 2.78 million GPU hours to train. For comparison, Meta's Llama 3.1 despite using newer, more efficient chips takes about 30.8 million GPU hours to train. Nvidia, whose chips enable all these technologies, saw its stock price plummet by 600 billion on news that DeepSeek's V3 only needed 2,000 chips to train, compared to the 16,000 chips or more needed by its competitors. While Deepseek has not reduced demand, it has sent silicon valley into a mad rush to advance their plans at an even more rapid pace to keep up with the competition. As such the need for cheap oil to fuel the AI boom necessary for U.S. economic growth, U.S. capital must rapidly move forward plans to grow it's energy production.

Big Oil

The Past

The the oil industry has played a central role in machinations of American imperialism today as ever before. The expansion of the oil industry is crucial for fueling the anticipated AI boom, an industrial expansion the bourgeois desperately need in an attempt to avoid getting shoved off their fiscal cliff, while it is also a necessary element in the extension and maintenance of U.S. of the protectionist wall against China by providing cheap oil to ward off investment in EV's infrastructure and supply chains. Ultimately for capitals accumulation deals with Russia must be struck and securing the artie for U.S. imperialism must be advanced.

A fact unknown to most Americans, is that in 2015 the United States became the largest producer of oil on earth as a result of the new technologies and innovative methods of horizontal high pressure hydraulic fracturing to drill for oil, known as fracking. Thus in 2016 the U.S. lifted its decades long ban on oil exports that were put in place after the 1973 oil crisis. For decades the United States was "addicted to foreign oil" as George W. Bush used to say, totally dependent on heavy crude oil imports. Prior to the fracking explosion US oil production peaked at 9.6 million b/d in 1970, annual U.S. crude oil production flattened and then generally declined for decades to a low of 5.0 million b/d in

2008. By 1972, 83% of the American oil imports came from the Middle East. The energy insecurity of the U.S. economy was first exposed during the 1973 oil crisis, when OPEC countries issued an embargo on oil sales to the U.S. At the time OPEC's share of the world oil trade was 75%. It resulted in fuel shortages, forcing a rationing of gasoline and skyrocketing prices. Before the embargo, a barrel of oil traded for around \$2.90, quadrupling to \$11.65 per barrel by January 1974.

The oil embargo was the result of Middle Eastern countries retaliating against the U.S. for it's military aid to Israel during the Yom Kippur War, fought against Egypt and Syria. The crisis triggered a major shock in the United States bourgeois who understood that their empire built on fossil fuel powered aircraft carriers and automobile sales had a major Achilles heel. Thus for decades after 1973, the focus of US imperial foreign policy was organized around subordinating OPEC countries in the Middle East and working towards "oil independence". Thus it is no coincidence that Hamas deliberately chose the 50th anniversary of the Yom Kippur War to launch its assault into Gaza last year on the eve of the ascendancy of the United States as a contender petrol-state.

In 2009 the rise of the fracking industry led to an economic boom which ultimately enabled the U.S. economy to quickly recover from the 2008 financial crisis. The development of horizontal drilling fracking methods created a groundswell of small independent frackers, who through various contracting agencies that brought the technological expertise, set up fracking operations on their land. The "drill baby, drill" movement, aggressively pushed to lift government regulations that prevented the extension of fracking throughout the 2010's and open up public lands to oil extraction. Over the years these small proprietary operations were bought out and consolidated into the major oil corporations in the United States, a process which has rapidly played out over the last decade. By 2015 the US became the largest producer of crude oil in the world due to the continued expansion of fracking, producing 9.42 million barrels per day (b/d). By 2023, 64% of US crude oil production in the United States came from hydraulic fracturing & production averaged 12.9 million barrels per day, far outstripping domestic demand.

As the production of crude rapidly increased it led to a glut of fracked sweet crude oil on the U.S. market that was unable to be refined at U.S. refineries equipped to process foreign imported heavy crude, and a glut of Liquefied Natural Gas also emerged. As a result, in 2016, the United States rescinded it's decades long policy of banning oil exports to begin moving this surplus onto international markets. Despite opening up exports, the U.S. oil industry continues to face an overproduction crisis, due to limited consumption and market share. Any increase in production without a rise in price would only diminish profits, correspondingly the vast surplus forced U.S. capital to compete with other imperialist powers for control of foreign export oil markets. As fracked U.S. oil costs more to produce and thus is already sold at a higher price, it wasn't able to break into major export markets outside North America, until after the February 2022 war in Ukraine, when Russian crude oil and LNG was sanctioned in Europe.

The U.S. A Rising Petrol State & The OPEC Cartel

In 2016, in response to dramatically falling oil prices due to U.S. fracked oil output on global export markets, Russia, Mexico and other oil producers that weren't previously part of the OPEC alliance joined to form OPEC+. Within OPEC+, oil production between the countries is limited to mitigate the growing global overproduction crisis which could burst out in a crash unless carefully contained due to an over abundance of commodities on the market that leads to declining prices. Thus the cartel works to keep prices artificially high through limiting and reducing international production. However, these methods put a straight jacket on productive forces which overtime leads to intensifying contradictions between producers. As increased oil production capacities and facilities spread to new countries across the world, reactivation of decommissioned installations, and the incorporation of new production zones the price of oil on the global market continues to experience a downward pressure and faces declining profitability.

For a time the U.S. followed the OPEC strategy; however, it has increasingly sought to cut into their markets due to overproduction. Because of it's diversified economy, it can run more risk of increased production and lower price. This forces OPEC nations

