

<https://internationalviewpoint.org/Global-profits-an-upward-turn>



Economy

Global profits: an upward turn?

- Features -

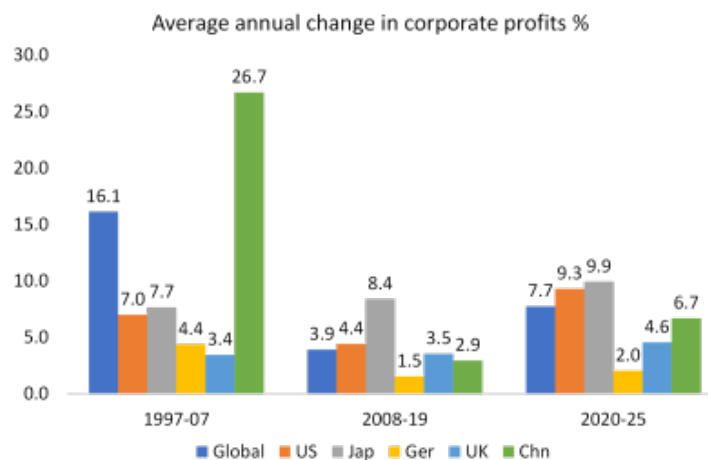


Publication date: Wednesday 17 June 2026

Copyright © International Viewpoint - online socialist magazine - All rights reserved

At the end of 2025, corporate profits in the major economies accelerated after stagnating in 2024. The global figure [above] is calculated from a weighted (by GDP) average of profits in the US, UK, Japan, Germany and China (taken from national accounts and in national currencies).

Average annual growth in global corporate profits during the 2010s – the decade of what I have called the Long Depression since the Great Recession of 2008-9 – was 3.9%. But in the first half of the 2020s, the average growth rate has doubled to 7.7%, although that's still way less than the 16.1% average growth rate in the credit-fueled decade of the 2000s. There were only two periods of a fall in global profits: the mini-'profits recession' at the end of 2015 and in the pandemic slump of 2020.

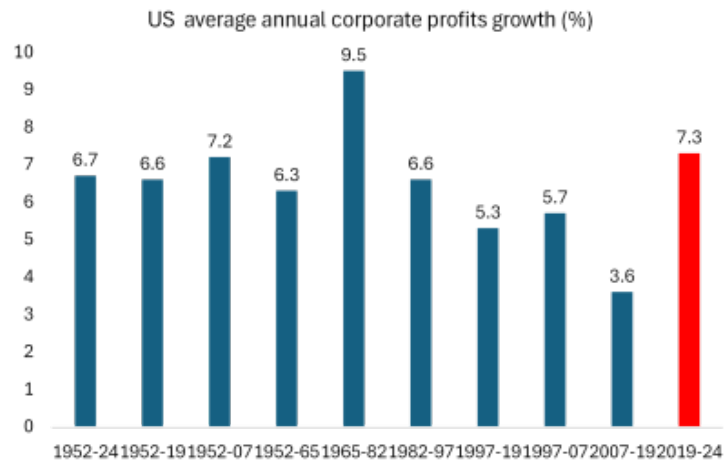


In the ten years before 2007, China's corporate sector led the way with an average annual rise of 26.7% in profits, more than three times higher than in Japan and the US. But the picture changed in the 2010s, as China's profits growth rate dropped away sharply. Profits growth also slowed in the other economies, with the exception of Japan. In the 2020s, so far, average profits growth in Japan and the US has increased, with the US rate more than doubling compared to the 2010s. Both German and British corporate profits growth has been dismal in the first quarter of the 21st century. So in terms of profits, Japanese capital has done very well, the US corporates too, while European capital has performed poorly.

What are we to make of this? Well, the 2020s figures suggest that capital in the major economies is not heading for a slump, with the exception of Germany, where profits growth confirms the current recessionary environment.

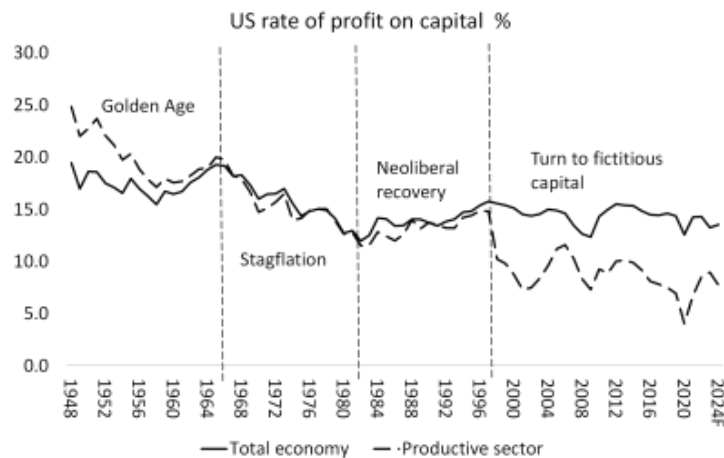
If we zone in on the US, using the Basu-Wasner calculation of profits from official data, we find that in the 2020s, annual profits growth has been higher than even in the neo-liberal period of the 1980s. The higher figure in the 1970s is due to higher inflation.

Global profits: an upward turn?



Source: <https://dbasu.shinyapps.io/Profitability/>

The rate of profit on corporate capital is defined in Marxian terms as total profit (surplus value) divided by the stock of capital (fixed and circulating assets) held by companies plus the cost of employing labour in production. The overall rate of profit in the US economy has been modestly declining since the end of neo-liberal recovery period in the late 1990s. But if you isolate the productive sector of the US economy (ie exclude real estate, finance, insurance and government), then the rate of profit on productive assets fell sharply through the 2010s to the end of the pandemic slump in 2020. This explains the Great Recession of 2008-9 and the pandemic slump of 2020. But since then, the profitability of productive assets has risen.



What is the reason for the recovery in overall profits and the profitability of capital in the US – and for that matter in Japan? This is disputed. In a [recent article](#), Ruchir Sharma, chair of the Rockefeller Foundation, reckons that US profits growth has only accelerated because of rising government budget deficits. Falling taxation on corporate profits and rising government subsidies have boosted profits. “Overall corporate earnings have risen from 7 per cent of GDP in the late 1990s to 11 per cent today. The dynamism of American business has played a role, but so have tax cuts and government spending. Lately the US deficit has risen to more than 6 per cent of GDP and a deficit that high reflects a large transfer of income to households and corporations.” Sharma concludes that “deficits have accounted for more than half of corporate profits, twice the level of the dotcom era. Strip away government support, and US profits look less extraordinary.”

Here, Sharma relies on the so-called Kalecki equation, which boils down to the proposition that investment drives profits, not vice versa. If a government runs up a big budget deficit, in other words, ‘dissaves’, it can boost investment and thus profits. “So, under a well-established accounting formula, the Kalecki-Levy Equation, corporate

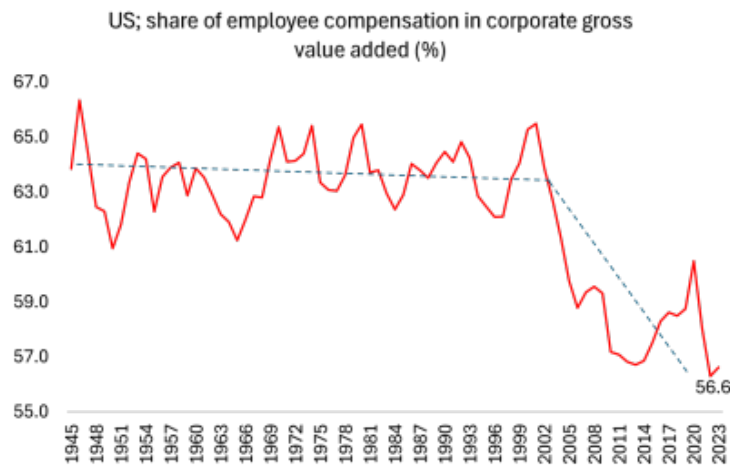
Global profits: an upward turn?

profits are in part a mirror image of the government's deficit. Based on this framework, deficits were the single largest contributor to the increase in earnings as a share of GDP since the late 1990s."

But as I have argued [on many occasions and posts](#), the Kalecki identity (profits=investment) is just that, an identity. It does not show the causal direction. Does investment drive profits and does government 'dissaving' (deficits) drive up profits? In my view, that causal direction is back to front. In capitalism, profits drive investment. And if we start from that direction, then the rise in profits is not due to government spending, but can only be due to a rise in the rate of exploitation of workers, as expressed in a rise in the share of profits in the US economy relative to wages. Corporate profits as a share of US GDP are at record highs.



Profits are not rising because of excessive government spending, but because there has been a sharp fall in labour's share of national income – to an historic low.



If this rise in profit share can be sustained and accelerated, then the US rate of profit may well rise further from here. Much will depend on whether the huge investment being made by the AI companies and their potential clients in data centres will deliver a step change in profits (by shedding labour and thus reducing the relative wage bill). As [Sharma said in a previous article of his](#): the US economy is now 'one big bet on AI'. I'll return to that story in my next post.

2 June 2026

Source: <https://thenextrecession.wordpress.com/2026/06/02/global-profits-an-upward-turn/>.

Global profits: an upward turn?

PS:

If you like this article or have found it useful, please consider donating towards the work of International Viewpoint. Simply follow this link: [Donate](#) then enter an amount of your choice. One-off donations are very welcome. But regular donations by standing order are also vital to our continuing functioning. See the last paragraph of [this article](#) for our bank account details and take out a standing order. Thanks.