

The (ongoing) crisis of global capitalism

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Covid-19 is causing unprecedented damage to the capitalist economy. A recent report by the World Bank highlighted how widespread the crisis is likely to be, with more economies expected to face recession in 2020 than in any crisis since 1870.¹ The same report also emphasised how deep the crisis is likely to be, with developed states expected to contract by 8 percent and those in the periphery by around 3 percent.² This would be the biggest reversal for the global economy since World War Two.³ It would also mark the first time since the Great Depression that the core and periphery are in recession simultaneously.⁴

One way to underline the severity of these numbers is to compare them to the worst year of the Great Recession. In 2009, global Gross Domestic Product (GDP) fell by 0.1 percent, while many of the emerging economies continued to grow strongly.⁵ This is fifty times less than the World Bank's current projections, and the IMF are no more optimistic. In their *World Economic Outlook* for January 2020, the IMF projected a 3.3 percent increase in GDP for this year; by April, this had been slashed to -3 percent, and by June they were expecting a -4.9 percent decline, with an 8 percent reversal expected in the developed economies.⁶ Reflecting on the scale of the crisis, IMF chief economist Gita Gopinath stated that 'the magnitude and speed of collapse in activity is unlike anything experienced in our lifetimes and [is] likely to dwarf the losses associated with the Great Recession'.⁷ When she wrote these lines, the IMF expected total losses of \$9 trillion for 2020 and 2021. Just three months later, they had revised their forecast to \$12.5 trillion, due to a 'larger than anticipated hit to activity during lockdown, economic scarring caused by disruption to supply chains and a loss in productivity from social distancing measures'.⁸ This loss would equal the combined annual GDP of Japan, Germany, and India—the third, fourth, and fifth biggest economies in the

world—and is based on optimistic assumptions regarding controlling the virus and finding a vaccine.

A crisis on this scale would be extremely challenging at the best of times, but the current one comes in the wake of the Great Recession of 2008–2013 and the weakest recovery since the Second World War.⁹ To make matters worse, the capitalist system is also trapped in a longer-run crisis of profitability, which initially helped to trigger the financial collapse in 2008 and has stifled recovery ever since. Understood in this wider context, the current crisis is not only an extreme event in its own right, it will also exacerbate existing weaknesses in the global economy and reopen scars that have been left unhealed since the last recession.

Left-wing commentators have begun to refer to a 'triple crisis' of modern capitalism, as the health pandemic associated with Covid-19 interacts with an economic catastrophe and an increasingly threatening climate emergency.¹⁰ This description usefully captures the common causes, interactive effects, and cumulative damage being caused by capitalism today, and points towards the pressing need for an alternative. This article takes up the economic consequences of the global pandemic and situates the crisis in the long-run decline of the capitalist economy. The political conclusions of this analysis should be familiar to people reading IMR: we need a socialist revolution to end the multiple crises that are threatening our lives.

The Covid Crisis

The initial cause of the economic crisis isn't hard to identify. In the first half of 2020, governments across the world deliberately shut down large parts of their societies in a bid to contain the spread of Covid-19. The idea of locking down the population was initially pioneered in the Chinese city of Wuhan, as the Communist Party virtually stopped all movement into and out of a city of

more than nine million people. The strategy broke the transmission of Covid-19 and was soon being replicated across Europe, North America, and parts of India. This, in turn, had unprecedented effects for the global economy. Capitalism relies on the continuous employment of 3.3 billion workers, who create value and surplus value through their labour. The 'Great Lockdown' acted as a circuit breaker in this flow of value, with results for the system that were entirely predictable.

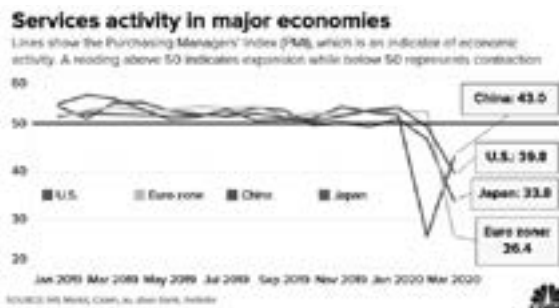
Modelling done by the International Labour Organisation (ILO) estimated that by April 2020, 2.7 billion workers had been subjected to a full or partial lockdown—representing 80 percent of the global workforce.¹¹ They also estimated that global working hours had declined by 5.4 percent in the first three months of the year, the equivalent of 155 million full-time jobs (assuming a 48-hour working week).¹² In the second quarter, they estimated a 14 percent reduction in working hours or the equivalent of 400 million full-time jobs when benchmarked against the final quarter of 2019.¹³ The effect of this was immediately evident in both the core and the periphery of global capitalism. In the United States, for example, unemployment rose from 6.2 million people in February to more than 23.1 million in April.¹⁴ This was easily the fastest increase since records began, dwarfing the numbers during the Great Recession, when unemployment increased by 8.8 million between 2007 and the beginning of 2010.¹⁵ The worst single month during the last recession was March 2009, when 800,000 people lost their jobs. In March 2020, the figure was close to 15 million.¹⁶ These numbers are so far off the normal scale that they are hard to comprehend. J. P. Morgan and Goldman Sachs independently predicted the U.S. economy would decline by between 14 and 24 percent from April to June.¹⁷ Gross Domestic Product actually declined by a record 32.9 percent, convincing Donald Trump to reopen the U.S. economy regardless of the consequences for people's health. Indeed, the consequences of locking down large parts of the economy have convinced all of the world's leaders to allow people to die if it means protecting the profit system from further damage. To date, more than 210,000 people have died in the U.S. as Covid-19 takes its revenge on the old and the vulnerable. On a per capita basis, the number should be around 50,000.¹⁸

The effects in the developing world have been even

more devastating. Many of the world's poorest people work in informal sectors that are disproportionately affected by the pandemic and without any form of social welfare. According to the ILO, 1.6 billion of the world's two billion informal workers have already suffered damage to their earnings, with 'a drop of 60 per cent in the income of informal workers' in the first months of the pandemic.¹⁹ The global nature of the slump has also meant a significant drop in remittances from the developed world and enormous capital flight from emerging markets as investors abandon their hosts in a bid to protect their assets.²⁰ Without alternative sources of income, these workers and their families will find it very difficult to survive. According to the *Wall Street Journal* for example, the crisis has already pushed a further 100 million people into extreme poverty of less than \$1.90 per day.²¹ Criticising the inequality that left so many people unnecessarily vulnerable before the virus, the United Nations noted how 'the pandemic has utterly exposed fundamental weaknesses in our global system...show[ing] beyond doubt how the prevalence of poverty, weak health systems and lack of education...is exacerbating the crisis'. More than 100 countries have already applied for IMF assistance, which will come with the usual structural adjustment measures for ordinary people if it is granted.²² Beyond the immediate consequences of the lockdowns, moreover, there are a series of secondary effects affecting both the supply and the demand side of global capitalism. The first of these involves disruption to the global supply chains of major corporations. Over the last 40 years, global capitalism has become increasingly integrated *and* increasingly fragmented. Figures compiled by the Swiss Institute of Technology from the Orbis database reveal that 1,318 global corporations control 80 percent of global revenues, with just 147 corporations controlling 40 percent of the entire network.²³ These corporate giants regularly block competitors from using their networks, merge to increase their market share, and purchase successful rivals if they become too much of a threat. But they also fragment themselves into hundreds of different legal entities each with their own corporate and organisational structure. The Hong Kong Singapore Banking Corporation (HSBC), for example, is composed of at least 828 separate corporate entities across 71 different countries. The world's biggest brewing company, Anheuser-Busch

InBev, consists of at least 680 corporate entities located in 60 different countries.²⁴

This fragmentation allows corporations to take advantage of legal protections in the developed world at the same time as they place much of their manufacturing in poorer countries. Structuring their operations in this way allows for ‘just-in-time’ production methods and a process known as ‘transfer pricing’ which involves manipulating internal sales to lower taxes. The cross-border nature of global corporations has also allowed them to hide their assets, play governments against each other, and force their suppliers into competition with each other. Yet the very intricacies of their internal operations are now proving an Achilles heel, as transnational companies face disruption *right across their global supply chains*. When Covid-19 emerged at the start of the year, for example, it caused a 13.5 percent decline in Chinese industrial production and a 17 percent fall in exports. This, in turn, caused disruption to the supply of goods into the Western economies, with Germany in particular reliant on China for industrial commodities.²⁵ By March and April, the epicentre of the disease had spread to Europe and America, choking off demand for Chinese exports just as the Asian economy was starting to recover. Soon thereafter, Covid-19 began to ravage Brazil and the rest of the Global South, making it more difficult for the developed economies to get the raw materials needed in their factories. The figure below gives one visual representation of the systemic decline across the main centres of capital accumulation.



A World Economic Forum report also summarises the potential damage to global supply chains, and is worth reproducing below:

It is, of course, still too early to quantify fully the effects of the supply chain disruptions due

to the coronavirus pandemic....In the case of China, the first country to go through a full cycle of the epidemic, manufacturers had to deal with the double negative consequences...of their own lockdown and...the fall in demand from customers further up the many value chains that its economy commands and contributes to. If other global value chain hubs experience similar trajectories, the cumulative effect of supply bottlenecks and falling consumer demand may indeed increase the risk of global manufacturing entering a downward spiral, possibly causing significant damages to the operations of many cross-border supply chains.²⁶

Whatever happens down the line, disruption to supply chains is already affecting investment decisions. A World Bank survey, carried out in March, showed that 93 percent of companies in emerging markets were experiencing supply-side shocks, with 75 percent reporting reductions in supply chain reliability and worker productivity.²⁷ Respondents also referenced disruption to essential inputs and demand-side shocks caused by loss of consumer income and consumer confidence. Worsening performance and uncertainty caused more than half of the respondents to reduce investment (by an average of 30 percent) and nearly 40 percent to shrink employment (by an average of 16 percent) in the first quarter of 2020.²⁸ One consequence was the mass exodus referenced above, with \$83 billion leaving emerging markets in the first three months of the year—the largest outflow ever recorded. The United Nations Conference on Trade and Development (UNCTAD) estimates that foreign direct investment (FDI) will decline by 40 percent over the next 12 months.²⁹ The OECD, meanwhile, estimate a decline of 30 percent even under the most optimistic of scenarios. This will lower the output potential of the capitalist economy, reducing effective demand and slowing down potential recovery in 2021.³⁰

A third supply-side challenge is the loss of productivity associated with social distancing measures. The Irish employer's group IBEC recently warned that the cost of social distancing meant that many Irish businesses would struggle to reopen without a \$15 billion reboot plan.³¹ The director general of the Construction Industry Federation made similar claims when he insisted that costs at the National Children's Hospital would rise

by up to 40 percent due to the enforcement of Covid-19 restrictions.³² These figures are very likely inflated by corporate lobbying, but there is no doubt that the costs of social distancing will be significant and that many employers will try to cut corners in their implementation and pressurise workers to do likewise. An extreme example of this occurred in August, when the Irish state was forced to lockdown Kildare, Offaly, and Laois after hundreds of workers tested positive for Covid-19 in local meat plants. One reason for these hotspots is the inherent difficulty of social distancing on production lines organised to keep costs as low as possible. A second issue is the fact that 8,900 of the 15,500 meat plant workers are foreign nationals and that just 10 percent have any form of sick pay entitlements.³³ This has been a recipe for disaster, as nearly 10 percent of all meat plant workers have now tested positive for Covid-19 versus a rate of 0.8 percent for the general population.³⁴ The economic consequences were quickly externalised in the local population, as workers were laid off and businesses shuttered for the duration of the lockdown.

If poorer workers are being forced to make a Hobson's choice between staying safe and making ends meet, they are also losing vast amounts in unpaid wages. Capitalists don't pay workers when they can't exploit them, and although many of the wealthiest countries have set up wage subsidy schemes, the cumulative loss of earnings associated with 550 million global labour hours is a staggering \$3.4 trillion since the start of the year.³⁵ Along with the decline in corporate investment, this has represented a major shock to the demand side of the global economy as workers lose income, employers lose sales, and the wider economy loses output and investment. There has also been a distinctly gendered element to the decline in wages, as women's jobs have been more at risk than men's and women account for a larger proportion of those in front-line occupations.³⁶ This has had devastating consequences for millions of women, particularly as they are also expected to do a disproportionate share of the extra care work associated with Covid-19.

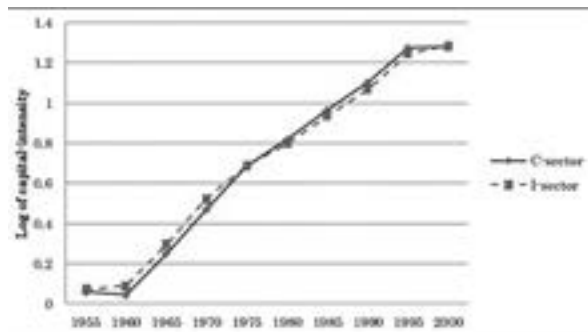
Meanwhile, many of those who have managed to hold onto their income are putting off consumption as the future becomes uncertain. A recent survey across 45 countries by McKinsey Consultancy found that western consumers are particularly pessimistic, with 40 percent

becoming more mindful of where they shop, 30 percent shifting to less expensive alternatives, and 20 percent doing more research before they buy.³⁷ Those surveyed also shifted their spending from discretionary items to essentials, while nearly 70 percent didn't feel comfortable resuming their normal consumption patterns due to their ongoing fear of contracting Covid-19.³⁸ Collectively, these shocks to the supply and demand side of the economy will be incredibly destructive even if world leaders refuse to sanction a second general lockdown. According to the ILO, for example, 436 million enterprises are already at risk, including 232 million in wholesale and retail.³⁹ It is also worth remembering that much of the analysis outlined in these studies assumes that the worst of the disruption is already behind us and that a vaccine will be found early next year. Case numbers and the number of those dying in October 2020 means that this optimism looks badly misplaced, particularly as the second wave of Covid-19 is now battering an economy previously weakened by recession and a longer crisis of profitability. It is to this wider context that we turn next.

The Wider Crisis of Global Capitalism

Production under capitalism is underpinned by social relations that make the system incredibly productive but also contradictory. The class relationship between the owners of capital and the owners of labour power is fundamental. The working class is the only source of surplus value in the system, making human labour power *the only source of profits* for capitalist enterprises. In order to successfully exploit their workers, however, each firm has to make them as productive as possible, using technologies—tools, machines, etc.—*purchased from other capitalists*. Exchanges between members of the exploiting classes can't be a source of any new value or surplus value in the system. But although machines and technologies don't create surplus value, they are able to *redistribute existing value from capitalists using older forms of technology to capitalists using the latest, most productive forms of technology*. This secures higher profits for the most advanced capitalists and sets up technological competition as firms strive to get ahead of their rivals. As they attempt to do this, however, there is a gradual decline in the proportion of investment dedicated to exploiting workers

and a gradual increase in the amount used to purchase technology and machinery. The following graph depicts the capital stock per worker in Japan during the period from 1955–1995, with C standing for the Consumption Goods Sector and I for Investment Goods.



This process makes corporations increasingly productive, but it also reduces the levels of value embodied in commodities and creates a tendency for the rate of profit to decline. This, in turn, creates all manner of crises for the system as firms struggle to exploit the working classes at a high enough rate to justify continued investment. Take a look at the visual below for an estimate of the long-term decline in profitability since the mid-1960s.⁴¹



By the early 1980s, the ruling classes had adopted neoliberalism as their primary response to this decline in the rate of profitability. Unable to halt technological competition among themselves, they sought to use their control of the state and their corporate power to intensify exploitation. This led to three frontal assaults on the working classes: Firstly, they attacked the trade

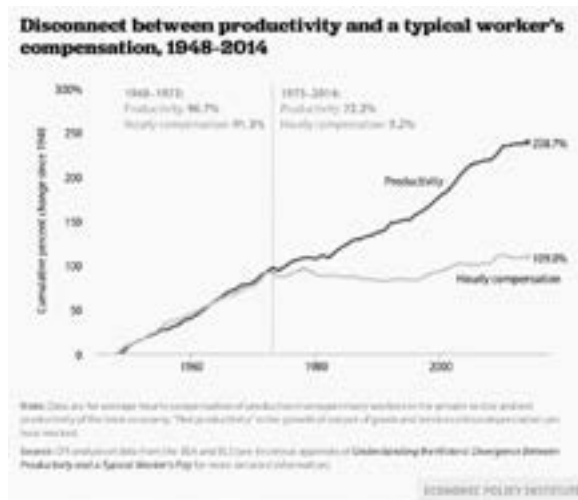
union movement, winning key battles against the miners in the U.K. and the air traffic controllers in the U.S. This helped to undermine trade union militancy and reduced the density of trade union membership. Secondly, they put the international working class into more intense competition, freeing up capital controls and moving capital into the developing world. This created new sources of surplus value, particularly in China, and helped to drive down wages in the more developed economies. Thirdly, they attacked the social wage by reducing access to welfare and pushing the costs of the state further onto labour. In order to achieve this, capital had to become more international, and this, in turn, created a far more central role for global finance.

As the graph above illustrates, neoliberalism managed to halt the decline in the rate of profit, even pushing it up marginally for a time. This was the result of capital's ability to grab more surplus value in the workplace through financialisation—effectively using credit to replace real wages—and through pro-business changes to state policies. What it didn't do, however, was resolve the build-up of unprofitable capital tied to the ever-increasing investment in technology.⁴² The Great Recession of 2008–2009 was the direct result of the successes and failures of neoliberalism from a ruling class perspective. Although it halted the decline in the rate of profit, neoliberalism didn't move the system onto a higher cycle of accumulation. Instead, it created a more speculative and predatory capitalism that made its way by securing new sources of value in developing economies, undermining workers conditions in the West, commodifying large sections of the state, and scoring the earth for speculative opportunities.

One result was an ever-increasing amount of debt for the working classes, but debt also increased for the corporate sector and for states starved of revenue by their corporate masters.⁴³ Another result was growing inequality, as real wages were held down and social services were reduced.⁴⁴ A third was growing financial instability, as international speculators dreamt up all manner of complex financial instruments to get rich at society's expense. This toxic structure eventually crashed in 2008, when the twin effects of predatory finance and falling real wages forced millions of Americans to default on their sub-prime mortgages. Soon a cascading effect rippled through the rest of the global

financial system with the resulting Great Recession lasting from 2008–2013.

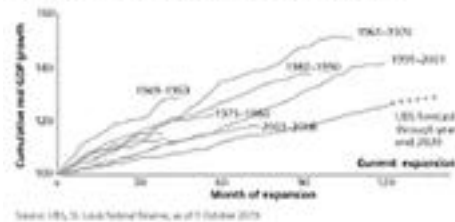
During the crisis of the 1970s, sections of capital developed a line of march as they set about dismantling the postwar consensus and going on the offensive. Yet in the early months of the Great Recession the elites were initially disorientated, before settling on a revamped version of neoliberalism. Over the course of the next half decade, global capital developed three main tools to stabilise the system: The first was a wall of cheap money pumped into financial markets to reflate asset prices and stabilise the banking system. In the U.S., for example, the Federal Reserve spent \$3.85 trillion on government bonds and mortgage-backed securities in three waves of quantitative easing (QE).⁴⁵ In Europe, The European Central Bank deployed QE from March 2015 to September 2018—spending €2.45 trillion in a bid to keep interest rates low, repair bank balance sheets, and keep struggling companies afloat.⁴⁶ The second strategy was to use the insecurity associated with unemployment to hold real wages below increases in productivity. Neoliberalism has fostered this so-called productivity gap since the early 1980s, but the years after the Great Recession accelerated the process considerably. The visual below captures the dynamics:



The third strategy involved a mixture of bailouts for corporate interests and austerity for working people. In the Republic of Ireland, for example, successive governments pumped €64 billion into the six main domestic

banks at the same time as they took more than €30 billion out of public sector wages, public services, and social welfare.⁴⁷ This process was replicated across the water, moreover, where the Institute for Public Policy Research estimated that 130,000 people lost their lives as a direct consequence of Tory austerity.⁴⁸ This represents three times the current deaths associated there with Covid-19, and was likely dwarfed by the deaths of people in developing economies. Collectively, these policies created the conditions for a gradual recovery in the global economy from 2013 onwards. Yet despite historically low interest rates, even more exploitation, and state sponsored austerity, there was no major increase in capital accumulation in the years before Covid-19. The graphic below depicts the period following the Great Recession as the longest sequence of economic growth since World War Two—but also the weakest.⁴⁹

The current expansion has been long, but slow
Cumulative real GDP growth of US postwar expansions



As before, the fundamental drivers of this 'low growth equilibrium' were the massive support for capital on the one hand and the steady build-up of unprofitable capital on the other. This has become the defining feature of later capitalism, as the world's ruling classes try everything to increase the rate of profit—except clearing out unprofitable units. The key reason for the latter, meanwhile, is the increased size of multinational corporations and the deepening integration of the global economy. When Lehman Brothers was allowed to collapse in 2008, for example, the contagion was so extensive that many analysts feared the entire financial architecture would collapse. The idea that investment banks are 'Too big to Fail' has since become synonymous with Wall Street and the City of London. But as the Bank of International Settlements (BIS) recently explained, the ability of capitalism to clear out unsuccessful companies is far more widespread than might be imagined.

Using data for 32,000 enterprises across 14 developed economies, the BIS tracked firms that are more than ten years old and unable to cover their ‘debt servicing costs from current profits over an extended period’.⁵⁰ Their analysis demonstrated a six-fold increase in these so-called zombie corporations, which went from representing just two percent of registered companies in the late 1980s to 12 percent in 2018. The graphic below is once again informative:

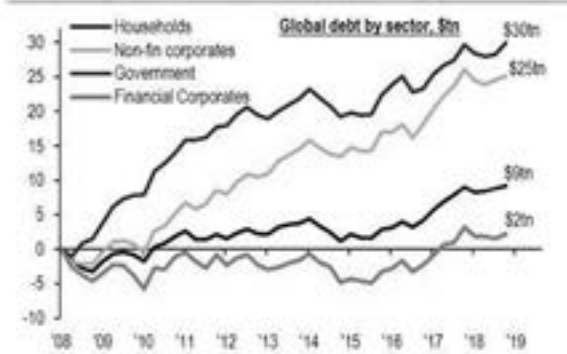


In the U.S., the number rose to 18 percent, as nearly one in five companies now survives on low interest rates in short-term money markets. No less telling is the fact that each crisis in the neoliberal era has witnessed a proliferation of unprofitable firms that are never dealt with fully in the subsequent upswing.⁵¹ The overall result has been a ‘crowding out of real investment’, with the BIS noting that past weakness in profitability is the strongest indicator of future profit difficulties.⁵² In other words, unprofitable firms are increasingly clogging up the system, with global leaders caught between their fear of further contagion and their realisation that lower than normal interest rates are causing all manner of secondary complications.

The first of these has been a relentless build-up of debt. Indeed, neoliberalism has become synonymous with rising debt for at least five different reasons: Firstly, in order to allow capital to move across borders, the regulations associated with the Bretton Woods Institutions (controlled exchange and interest rates) were dismantled. This meant banks could create credit—and profitable opportunities—far more freely. Secondly, governments and working families have been forced into debt

as taxes and wages have been reduced by neoliberal policies. Thirdly, many firms have become increasingly indebted as they struggle in an era of low profitability. Fourthly, firms frequently borrow to engage in financial engineering, to reduce their taxes, and to make short-term profits through financial speculation. Finally, neoliberalism has been associated with far greater financial instability, with each new crisis met with a wall of cheap money and ever more indebtedness. The result is that global debt had already reached \$230 trillion prior the Covid crisis—three times the size of the real economy. As the graph below illustrates, moreover, this debt pile has increased very significantly since 2009, making the current crisis all the more dangerous.

Chart 8: Biggest recession risk is corporate deleveraging



Source: BofA Merrill Lynch Global Investment Strategy, IIF

The second key effect of historically low interest rates has been a massive increase in speculation. Profit rates were high enough during the postwar era to stimulate investment, production, and employment. Yet in a world of anaemic profits, firms increasingly look to grab value that already exists in the system rather than producing it themselves. Instead of buying companies as a going concern, for example, financial vultures increasingly buy them with others people’s money, pay for them by loading debt on to the balance sheets, and sell them on for the next vulture to repeat the trick. Another popular scam is to borrow to inflate a company’s stock market value. Here the idea is to engage in share buy-back schemes that artificially inflate a company’s share prices and to offer generous dividends with money borrowed cheaply on the markets. In March, America’s major airplane manufacturer Boeing asked the U.S.

government for \$60 billion to survive the downturn in the airline industry. Yet over the previous ten years, the company had already received \$60 billion in virtually free money, all of which was used to buy back its own shares (\$43 billion) or to give shareholder returns (\$17 billion).⁵³ Thus, instead of investing in extra workers or the latest technologies, the firm inflated its stock market value and made sure wealthy American shareholders got a pay day.

A third example is loading debt onto an intra-group company in order to avail of tax deductions. Here the trick is to use one group member as the creditor and a second as the debtor. When the (supposedly) indebted company makes a profit, they pay themselves for the cost of the interest—obviously through a circuitous route—while claiming a deduction on their profit taxes. Collectively, these scams have undoubtedly made capitalism more cut-throat and unstable, but the real story is the fact that so much money is sloshing around without producing any profit from production. Speculation increases when capitalism isn't producing enough surplus value, and as the graphic below confirms, for all of the pain that neoliberalism has caused, it has not revived profitability since the Great Recession.



Instead, it has allowed the world's ruling classes to slow down their own decline through predatory practices and heightened exploitation. Yet at the same time, neoliberalism has facilitated a gradual shift from West to East, while over the last decade, austerity has created an increasingly angry working class.⁵⁴ The first part of this equation explains why President Obama favoured a pivot of the U.S. military into Asia before getting bogged

down in the Middle East.⁵⁵ It also explains why President Trump has repeatedly attacked China as the biggest threat to U.S. hegemony. In 2018, Trump sparked a trade war with China that eventually placed restrictions on nearly \$700 billion worth of goods and services.⁵⁶ He also banned U.S. companies from transacting with Huawei and placed heavy restrictions on China's largest computer chip maker, Semiconductor Manufacturing International Corporation.⁵⁷ None of this will halt the inexorable rise of the Chinese economy of course, but it does signal that a new phase of geo-political instability is emerging at the same time as the global economy is moving deeper into crisis.

The second part of the above equation explains why the options for dealing with Covid-19 are less numerous than they might have been without decades of neoliberalism and years of austerity. Last year witnessed mass movements on the streets in Sudan, Haiti, Iran, Iraq, Algeria, Morocco, Hong Kong, and Puerto Rico.⁵⁸ In Lebanon an estimated one million took to the streets out of a national population of only six million. In Chile, more than a million people repeatedly took to the streets to protest against the rising cost of living and government corruption.⁵⁹ Earlier this year, we witnessed a mass explosion of anger in response to the brutal killing of George Floyd by an American police officer. By some estimates, between 15 and 26 million people took to the streets in what may well be the biggest protest movement in U.S. history.⁶⁰ In Europe, there have been significant struggles by the Yellow vests movement in France, for Catalanian independence, and for democracy in Belarus. Beyond this, there has been a general hollowing out of the neoliberal centre as years of austerity have undermined the legitimacy of mainstream parties across the continent. Politically, this has presented important opportunities for the left to grow, but it has also allowed the far right to capitalise on people's growing fear and frustration. Economically, these same processes have hollowed out our healthcare systems and left many countries dangerously under-resourced to deal with the pandemic. One reason why our rulers acquiesced to the general lockdown at the start of the year was the fear that our healthcare systems would collapse following years of austerity. Another was the realisation that their own legitimacy may not be strong enough to impose a more hard-right solution without risks to their

political stability. Since then, the sheer scale of the economic damage has convinced many rulers to open back up. But their ability to resolve this crisis through widespread austerity is far weaker than it was after the Great Recession. It is to the likely contours of the ruling class strategy that we now turn

Drawing the Strings Together

At the start of the year, many economists argued that Covid-19 would cause no more than a V-shaped recession. Systematic lockdowns would cause an initial disruption, but the economic fundamentals remained strong enough to drive a recovery once the economy was reopened. In March, the Irish employer's body IBEC announced that a 'rapid recovery from crisis is possible'.⁶¹ The U.S. investment bank Morgan Stanley were making the same prediction as late as June, but as of October, this almost seems laughable.⁶² For a start, the scale of the economic collapse was worse than even the darkest days of the Great Depression, with output falling further—in a short period—than at any point in capitalist history. Compounding this are the secondary effects on supply and demand and the wider crisis of profitability outlined earlier, not to mention an impending climate catastrophe. Instead of a V-shaped crisis, Covid-19 feels more like an L-shaped disaster, as health and economic challenges persist into 2021, rolling disruptions continue in people's lives, and a new battleground is opening up around the economy.

At the start of the crisis, it was only far-right leaders like Donald Trump, Boris Johnson, and Jair Bolsonaro that flirted with the idea of herd immunity. The idea was to allow the virus to kill off the weak and vulnerable while the general population gradually built up immunity. Most people were appalled by this callous disregard for human life and saw the strategy for what it was—a way of keeping profits moving regardless of the human consequences. Under pressure from their populations and their healthcare professionals, most of the world's ruling classes accepted the need for an initial lockdown. However, the sheer scale of the economic damage that resulted has shifted their positions to living with Covid-19 while 'flattening the curve'.

This is a softer version of the 'put the economy first' agenda, as businesses have been opened up, health advice has been gradually downgraded, and restrictions

have focused on controlling people outside their employment. This suggests that over the next 12 months, we can expect our rulers to fight extremely hard to keep their profits rolling—using the idea that people are frustrated or that mental health is suffering as political cover. Meanwhile, they have already organised another round of neoliberal restructuring, this time tailored to counteract the collapse in demand and the dangers of imposing austerity too quickly. From the start of the Great Recession in 2008, the ruling class attacked workers more or less immediately, as the state pumped money into corporations at the same time as it reduced welfare and public services.

This crisis is different for three important reasons. Firstly, the scale of the collapse has meant that states have had no option but to pump vast sums into their economies. To take heat out of an already flatlining economy would be a recipe for disaster, so instead the ruling classes have engineered a vast handout for the owners of capital. Central banks have already pumped around \$8 trillion into their respective economies, with a package worth \$2.3 trillion promised by the Federal Reserve and another €2 trillion from the European Central Bank.⁶³ In both cases, these packages include billions handed directly to business without any oversight. Michael Roberts has estimated that two thirds of the U.S. package 'will go in cash and loans that may not be repaid to big business (travel companies, etc.) and to smaller businesses, but just one-third to helping the millions of workers and self-employed to survive'.⁶⁴ The 'Pay Check Protection Programme' is a good illustration of this phenomena. This is a scheme worth \$510 billion that has been funnelled to nearly two million American business owners without public oversight or expectations that the money will ever be repaid.⁶⁵ When a democratic member of the House of Representatives tried to ensure public scrutiny, moreover, the bill was voted down by the Republicans.⁶⁶ A similar scheme was unveiled in the Irish Budget recently, with businesses entitled to €5,000 a week provided their turnover is reduced due to being at Level three of the five-stage Covid restrictions. Irish taxpayers have also been paying billions to businesses through the Temporary Wage Subsidy Scheme—not as a loan to be repaid later, but as a direct subsidy to employers.

The second key reason for avoiding austerity is his-

torically low interest rates resulting from a decade of quantitative easing and generally low levels of profitability. In Ireland, for example, the state's borrowing costs are expected to fall to an average of 1.6 percent next year versus just over five percent during the Great Recession.⁶⁷ Indeed, the average interest rate for €22.7 billion raised by the National Treasury Management Agency (NTMA) in 2020 was just 0.2 percent.⁶⁸ This partly explains why the Irish government is willing to increase the national debt over the next two years from €200 to €240 billion. However, it bears remembering that even at these lower interest rates, bondholders will receive in the region of €4.7 billion this year and €4 billion for 2021.⁶⁹

The final reason for putting off austerity is political prudence by the neoliberal centre. After a decade of cuts, mainstream governments do not yet feel confident enough to impose any extra pain on populations that have shown themselves willing to throw politicians out of office. Instead they have focused on borrowing from the markets—both to avoid any increase in progressive taxation and as a lever to drive an austerity agenda down the line. The Irish minister for finance, Paschal Donohoe, has already warned us of bond market vigilantes who will increase the cost of borrowing if the national debt increases too much.⁷⁰ This is a signal that, when the time is right, the government will insist that the markets are placated by cutting social services and public sector employment.

Yet if this is their agenda, it is by no means certain that they will be able to deliver it. Our rulers have already spent enormous capital trying to keep the economy open, for example, but as case numbers begin to rise, it is very hard to see how they can hold the line—particularly when people are dying because of it. The fact that governments have suddenly found trillions to hand to businesses also reveals that austerity was always a political choice, not a necessity; that there is always a magic money tree when it comes to bailing out the rich, but never when it involves funding schools or hospitals. The Covid crisis has also shone a light on who is important in society, foregrounding how we organise our lives and what we prioritise. For decades, the champions of neoliberalism told us 'there is no such thing as society', before suddenly insisting that 'we are all in this together' when they needed workers to save their lives and supply

them with essentials. They have also repeatedly insisted that 'There Is No Alternative' (TINA) to their right-wing agenda, but in a world turned upside down by Covid-19, our only genuine alternative is to end the crises of disaster capitalism by putting people before profit.

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