Coronavirus and Capitalist Crisis

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Many of you know that I'm someone who has avoided using the d-word—'depression'—even around 2008-9. I felt that comparisons to the 1930s were not always appropriate, even when we're looking at a huge global crisis. And so I called 2008-9 a global slump but did not use the d-word. Well, now radicals like myself are being completely bypassed in the mainstream. The *Washington Post* ran an article yesterday in which a mainstream economist used the word 'depression.' *The Guardian* has a similar article today. There's a growing recognition that this is a massive contraction in the global system and I just want to really share with you a few thoughts and observations about that.

The downturn of 2008-9 was the fourth great contraction in the history of capitalism. And by that I mean a period of a decade to three decades of stagnation, slump, recurring recessions, and so on. So, the first one came at the end of the nineteenth century, 1873-96, and that was the original Great Depression. Then we had the catastrophic slump of the 1930s. We then had the decade-long crisis 1971-82 and we entered the fourth great contraction in 2008-9. But that one looked and felt different in all kinds of ways, because central banks around the world intervened massively to prevent a collapse of the banking system. In the United States, they pumped something between $19 trillion and $29 trillion into the financial system to rescue the banks. Unprecedented—and it did prevent a 1930s-style crash with 25 percent unemployment and so on.

The problem is it also meant that capitalism couldn’t destructively restructure itself. And that’s because by pumping trillions into the financial system, by pushing interest rates down effectively to zero, it meant that companies that were in essence bankrupt could stay alive with free money. And that’s why you’ve heard recurrently over the last decade the term ‘zombie firms.’ Because there were companies that were completely inefficient and unprofitable in capitalist terms, who could keep borrowing money for free to stay alive. Estimates are that 16 percent of all the firms in the United States are zombie firms. They’re on life support through the Federal Reserve Bank.

Well, what that meant is that we got a so-called recovery from 2010 on with almost no growth—growth rates were a quarter to a half of what you would normally expect in a recovery—very low investment, and no recovery in wages and living standards. We got the so-called low-growth recovery, the precarious-worker recovery, and so on. And even that pathetic little recovery was coming to a halt in 2016 as profits started to collapse, when it was rescued by Trump’s huge tax cuts to U.S. businesses. And that essentially bought the system two years.

But by the fall of last year, by the fall of 2019, a new recession had started. And it’s important to emphasize this. The recession did not begin with the pandemic. In October of last year, industrial production in China dropped 20 percent. We went through nine straight months in which business investment was declining. The Canadian economy saw job loss in both October and November of last year. And as early as September—and I want to underline this—as early as September of last year, the Federal Reserve began to intervene in financial markets, because it could see they were going into crisis.

So, I give you all that to emphasize that the second recession in the slump that began in 2008 had already begun, and that’s the point at which it was hit by two huge shocks. The first was an oil shock, and it’s important to emphasize this. Although the pandemic had started in China, it was not rattling markets in the West. They did not see this as anything more than a threat to China’s growth for a short period of time. But the pandemic and the downturn in China was putting a big dent into demand for oil.

Saudi Arabia then called on oil producers to cut output in order to prevent prices from dropping. But as happens in a period of recession, rivalries intensify, and Russia refused to go along with the Saudi price cut. At which point the Saudis said, fine, we know how to play this game better than anyone else—we will flood the market with the cheapest oil on the planet, because the production costs in Saudi Arabia are lower than China, Venezuela, the United States, Canada, etc.

So, the Saudis started in January to flood the market and they did it more as we moved into February. That’s when oil-stock panic triggered the stock-market crash. Stocks started absolutely plummeting at that point. Then the reality of the pandemic hit. And so what we had was a recessionary economy, now experiencing an oil price war, which was hugely destabilizing—and then you get that overlain with the pandemic.

A reminder to everybody: the pandemic itself grows out of capitalist contradictions, and I want to emphasize again the importance of the work of people like Mike Davis, and in particular Rob Wallace and his book *Big Farms Make Big Flu*. This is a capitalist pandemic and it’s manifesting itself in that way across the board.

Now, what does it mean for us? It means that a pretty severe slump is now hugely magnified. Goldman Sachs says that output in the United States is going to drop by 24 percent. That may be optimistic. The stock market is already down 25 percent and it's going to fall more. As most of you know, job loss in two weeks in the U.S.—official job loss, if you could actually get through and record your unemployment—has been 10 million, and that's going to rise again next week. Probably over 20 million in a four-week period is what we're looking at.

In addition, keep in mind that unlike any other crisis in the history of capitalism, the Federal Reserve and other central banks started bailouts before any banks collapsed. In 2008, they were already going down—some of them, like Bears Stearns, had already folded up shop before the Fed started any intervention. This time they realized how bad this was going to be, or at least had some intimation, and they started the bailouts in advance. Nevertheless, that simply stopped the stock-market collapse for four days. A $2 trillion fiscal rescue package gave them a four-day reprieve in the stock markets. And, not surprisingly, yesterday an economist at Bloomberg came out with an article headlined, "Turns out $2 Trillion in Stimulus Isn't Nearly Enough Stimulus."

So, they've pumped probably $6 trillion into financial markets, they've put a $2 trillion stimulus package out there, and it's not working. That's why all the talk of a so-called v-shaped recession—you go down really fast and you bounce back really fast—is nonsense. This is going to be deep and prolonged, even though it's going to have waves and cycles within it—it's going to look like the beginning of faltering recoveries, then they're going to get short circuited, and so on.

So, let me give you a few thoughts about where we go from here. It's going to be a crisis across the board. The United States is getting hit harder, because the U.S. healthcare system and its government responded so ineffectively to the outbreak of the pandemic. But it's a huge threat to China's growth model, which is export driven. Who are they going to export to in a slump like this?

But also, we need to bring into the story how catastrophic this is going to be throughout the global south, because this is something that doesn’t have enough attention. Prior to this crisis, there were 48 nations on the planet spending more on debt relief—debt repayments—than on healthcare. Forty-eight countries. If you take a nation that is about to get devastated, Haiti—Haiti has 11 million people and something between 30 and 120 intensive-care unit beds. Haiti has 64 ventilators for 11 million people, and the odds are that half of them don’t work. Predictions from within Haiti are that 800,000 may die through this pandemic.

And so, we’ve got to globalize our understanding. There are countries that were broke before this hit—Zambia, Ecuador, Lebanon. Some of you may have read the reports of bodies in the streets for days in Ecuador, that are not even being retrieved at this point. And then, of course, we’ve got all the dimensions of racial inequality in the way New York, for instance, is being hit by the pandemic.

And so, I want to really end with two kind of broad stroke points that I hope will frame and set up some of the presentations that are coming. This is overwhelming to all of us. It’s also the case that, as someone who has been a Marxist since I was a teenager, I honestly feel that it is the biggest affirmation of radical socialist politics in my lifetime—that everything we have said about the nature of capitalism and what it does to working-class people around the globe is being affirmed in a frightening way but also one which tells us how important our analysis, our politics, and our organizing is.

The simple slogan “Capitalism versus Life” is literally resonating with huge numbers of people, whether you’re talking about healthcare, whether you’re talking about housing, income protection, emptying the jails, migrant rights, global debt relief—because that what we have to be calling for, a global debt jubilee—free wifi. Listen, wages for housework resonates right now as a demand. That’s right—pay people for the labor they do at home, and so on. None of this stuff, which sounded marginal two months ago, doesn’t resonate today with millions of people. And so, yes, it’s overwhelming, but it’s also overwhelming in the sense that we’ve probably never been more right in our basic convictions, and so now we have to figure out what it means to operationalize all that.