

Global and intersecting crises - Covid 19, the economy and ecology

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“These three crises (economic, ecological and political) are global in nature and have impacted countries in both the global north and south.” This is an edited version of Part 1 of an introduction given to the ACR school on September 12. Part 1 and 2 (concerning the impact of the crisis in Britain) have been published together on ESSF too (article 55233, [Covid 19, the economy and ecology - Intersecting crises and the impact in Britain](#)).

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The global world economy is currently in crisis as a result of a shock in the real economy caused by the coronavirus pandemic.

There is also an ecological crisis that requires a serious response if we are to avoid permanent destruction as a result of climate change or the destruction of natural habitats and biodiversity. Unquestionably the pandemic is part of the ecological crisis and the latter crisis is due in large part to the laws of motion of the capitalist system which drives it to continuous growth and accumulation. What is not clear is whether the pandemic arose due to the nature of the capitalist system or is an external shock to the system already showing clear signs of stagnation due to the form of accumulation in use.

There is also a political crisis relating to the revival of the far-right and its consolidation which is being coordinated internationally and the obvious impact on the democratic structures and processes in many countries. The impact of neoliberalism (with wide-ranging free market economic arguments which severely impacted workers incomes and employment with a race to the bottom in many counties) has certainly spurred the revival of sympathy for right-wing nationalist solutions as opposed to globalisation and multi-culturalism.

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In Britain, we also need to take into account the specific problem of Brexit – probably a no-deal one. This will impact upon the UK far more than the rest of Europe; both the service sector (e.g., the financial and insurance sectors) which is the largest sector in the economy and industry which is often done jointly with other EU countries. The inevitable introduction of tariffs will probably make continued production with other EU countries far too expensive to continue.

The Brexit referendum was a failed attempt to address a division in the Tory Party by David Cameron. The outcome reflected the impact of nationalist and racist argumentation by the Tory right as well as the perceived impact of EU membership (as opposed to the actions of successive British

governments) by sections of the British working class as the cause of poverty, job insecurity etc.

Some of the Brexit supporting sections of the British ruling class don't seem to understand the impact of neoliberalism and globalisation on various countries' domestic economies; the free mobility of capital and the inability to regulate it means that global production, consumption and exchange are deeply interwoven - far more so in the 19th and 20th centuries with colonialism and imperialism. The British empire is gone and becoming dependent on a US trade will not be a demonstration of the power of Britain but a confirmation of the collapse of its global economic power.

Economic Crises

Most recent economic crashes are cyclical originating within the financial sector. The role of financialisation cannot be ignored. Financial markets often become over-valued due to speculative investment, as profitability in the real economy is so low that short-term turnovers of capital are preferred to a long-term investment in the real economy itself. The removal of regulations in the finance sector as part of neoliberalist goals led to the 2007-8 crash, for example. Just recently the overvaluation of the financial markets led to a massive sell-off of tech stocks to bring their value more in line with the real economy; an adjustment that many had been expecting.

But this is not what we are experiencing now. Normally, economic crashes serve to realign the regime of accumulation through the elimination of redundant capital (closures of unprofitable sectors and reduction in the over-valuation of both capital and financial stocks) and the freeing up of capital tied up in unprofitable sectors. This leads to a further concentration and centralisation of capital.

As Marx notes, this is a part of the laws of motion of the capitalist system itself. This cuts across the different sectors of global economy enabling the potential of a rise in profitability. Free capital can be reinvested elsewhere both domestically and internationally. Secondly, as we have seen historically (and now) crashes leading to the closure of businesses will also mean increases in unemployment and the opportunity to decrease wages. This can lead to a revival of the economy (depending on investment and economic growth) and the whole game begins again.

Economic crises are part and parcel of the capitalist economic system and they happen regularly; brought about by the laws of motion of the system itself. A cursory look at the history of capitalism will demonstrate this. What Keynesian policies did was ameliorate the depth of the crises; it could not eliminate them as that is not possible under capitalism.

Whether a cyclical problem leads to a crisis as opposed to just a bump depends on the reactions of the ruling class and politicians in ensuring the stability of the system. Moreover crises do not mean that the system itself is over: capitalism is a very dynamic system. As Marxists we know that in order to eliminate the system we need the development of a subjective revolutionary element that can bring about a revolution. Economic crises themselves do not challenge the system in the absence of the necessary subjective conditions.

We should not describe the current situation as a recession. The mainstream media and economic commentators often use this term because it sounds far less frightening than the correct term of economic crisis. A recession simply refers to 2 quarters of negative economic growth; whether this occurs over 2 quarters or more says nothing about the depth of the economic crisis that we are facing.

Since this pandemic did not happen simultaneously around the planet, there are some areas where the lockdown stretched over two quarters (like in Europe) and they were in a recession. In the case of Britain, the crash happened in the 2nd quarter of 2020; there is now some economic growth (6% in July itself) as the economy reopens. What is important is whether the lack of a vaccine and as a result subsequent lockdowns will happen as we go through round 2 of the virus and how much of the economy will have to return to lockdown and whether there will be another period of negative economic growth and how deep the crisis will be.

An additional issue relates to how various governments have reacted to the shutdown to try to decrease its impact. Have they introduced policies which kept businesses from going under, have they prevented increasing unemployment, how are they preparing to restart the economy or are they leaving it to the private sector to decide? Will they need to change the nature of the regime of accumulation or will reasonable adjustments by the private sector and the state enable a recovery? Moreover many recent recoveries were not job creating ones - profitability recovered but not employment and even worse, decreasing the social subsistence level of wages (over a period of a decade) and the destruction of working conditions did not lead to job recovery even under government's official definition of unemployment..

We can blame mainstream economic theoretical arguments for the ridiculous idea that the stagnation and/or the depression of wages will lead to increased employment; but this is an ideological perspective rather than one based on reality - they are the priests of the system providing justification for the political decisions of politicians and the ruling class rather than the creators of the the manner in which the system itself functions. Economic policies are political decisions; dependent upon the choices and current perspective of the ruling class and politicians.

Austerity is a political choice, export-led growth is a political choice, undermining the welfare state is a political choice. Long term depression of wage incomes (which is what austerity means) as the basis of future economic growth actually can be argued to lead to decreases in productivity in manufacturing and industry and minimal increases in growth due to limited need for introduction of new technology which would lead to higher productivity and economic growth. In fact much of the stagnation in advanced capitalist economies can be blamed on this neoliberal economic model which relies on the suppression of domestic economic demand and export-led growth.

What we are witnessing is essentially a shut-down of the world economy due to the coronavirus and the lockdown of economies to prevent its spread. In order to address whether this is an endogenous economic crisis (produced by the current laws of motion of accumulation and growth in the capitalism system) or an exogenous crisis (something caused by an external shock to the system - think of "acts of god") we need to discuss whether what has caused the pandemic is something that is required by the regime of accumulation of the system to actually function or is actually a random event.

Does the regime of accumulation requires the invasion of natural habitats and the destruction of wildlife or did the pandemic arise due to the specific situation in China with the use of wet markets where specific viruses associated with feral animals sold there enabled the creation of a virus that impacts upon humans and created this pandemic. If the former, it would be an endogenous crisis. If on the other hand, the virus was created due to specific actions of groups of individuals in the system which the general system does not need to function, it can be considered an exogenous shock to the system.

Human beings are incredibly adept in their destructive abilities, independent of the capitalist system itself. Way before the existence of capitalism, human beings viewed nature as something to be conquered and tamed which not only enabled species extinction but also massive transformation of

the environments in which they and other species lived. Capitalism has sped up the destruction of the environment and the ecosystem of the planet on which we are dependent for life; the dependence of capitalism on economic growth clearly has led (and continues to lead) to further human impact on the planet itself in search of areas of increased profitability and economic growth.

So, if the general mode of accumulation is responsible for the creation of the pandemic itself; that is that in order for economic growth, accumulation and profitability, it would be an endogenous shock. If it happened as a result of the (in)actions of individuals or a government; that is a random event it can be argued to be an exogenous shock. In the case of the wet markets of China which is where it is speculated that the virus arose leading to the pandemic; this does not seem to be something required by the current mode of accumulation not even in the specific nature of the manner in which accumulation occurs in China. The mode of accumulation certainly impacts human behaviour but it would be difficult to argue that these wet markets are needed to keep capitalism growing even in one specific country; this is something that could have been easily prevented by government regulation. The neoliberal mode of accumulation based upon globalisation does not require the existence of these wet markets to ensure accumulation and growth at a global level. While the Covid-19 pandemic is an exogenous shock due to it being a random occurrence in a major capitalist country, if we continue to invade and destroy natural habitats we can be certain that there will be more deadly pandemics and that this would become an existential problem for humans and other species with whom we share the planet.

So I would argue that rather than an endogenous crisis caused by the laws of motion of the system that this is an exogenous one caused by a pandemic that required the shutdown of various economies in an attempt to stem its spread. If sufficient information arises that this pandemic was directly due to the needs of the regime of accumulation; I would alter my analysis accordingly. While neoclassical economists consider exogenous crises as the only form of crisis that happen as they believe the system is internally stable; as Marxists we know that is not true as we don't live in a land of deluded ideology.

Neoliberalism

While exogenous shocks normally do not threaten the system of accumulation itself, prior to the pandemic, economic growth and accumulation on a global scale had slowed and in many countries was close to stagnation.

This situation brought about by neoliberalism and austerity impacted deeply upon production, distribution and consumption in many countries. The closely interlinked nature of the current global neoliberal economic regime meant that the lockdowns of various economies reverberated and strengthened the exogenous shock. Since countries' production and consumption are interdependent, the stoppage of production impacts production throughout the whole international system.

The production of raw materials (agricultural and manufacturing), intermediate goods, and final goods of all types were impacted. Bringing this production back on line takes time and whether it happens depends upon expected demand and profitability of capitalist producers at various stages of the production process; often with the division of labour in industrial production divided both horizontally and vertically across countries.

Neoliberalism and globalisation freed capital from national government control, taxation and regulation. It initially shifted labour intensive manufacturing and industrial production from advanced capitalist economies to the global south and it shifted domestic production, accumulation

and growth towards export-led production.

This meant that domestic consumption became less relevant, which enabled the decoupling of wages from productivity and undermined social subsistence levels of income (wages were stagnant and welfare states were undermined) in advanced capitalist countries. Taking advantage of uneven and combined economic development means exploitation is easier (and perhaps lower capital investment) so profits rise. The shift of industry to the global south reduced growth in the global north. The introduction of austerity in the global north enabled a wage squeeze following the 2007-8 crisis to keep profits up and, given that it lasted far longer than these processes normally do, led to long-lasting changes and not temporary ones.

Privatisation of parts of the public sector meant that many of the economic gains won by the working class like socialisation of key resources and cheap access to them (e.g., water, electricity) and parts of the welfare state were eroded if not destroyed (e.g., the NHS, social care, the benefit system). The introduction of competition and private capital to the now privatised former public sector means that what is produced and how much is produced depends on profitability.

The development of free-trade zones and free mobility of capital meant that profits could be invested freely elsewhere and were not taxed there. The stagnation in workers' incomes (or even their decrease) also means that services and goods that were previously free at the point of demand have now been privatised and the fact that now they are charged for means that people can't access them

So, privatisation of child-care rather than state provision costs money, the same thing with access to social care for disabled people and the elderly and the massive decrease in public housing and rent control stabilisation has raised substantially the cost of housing for the working class. Weakened trade unions and a weak left meant that little protection for the majority existed and there has not been a strong enough fight-back. The term "race to the bottom" is accurate and there has not been the strong revival of economic growth that was the promised result of these austerity policies.

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P.S.

• Socialist Resistance. Posted on 12th October 2020:
<https://socialistresistance.org/intersecting-crises/20978>]