
Covid-19 and Crisis-20

critisticuffs

The world is in the middle of a crisis, a breakdown of the normal functioning of society. The outbreak of a viral contagion has led to the prospect of casualties on the scale of the 1918 flu pandemic. This might seem serious enough, but politicians and policy makers are also worried about another crisis – this time an economic one. This fear is justified. Many businesses are likely to fail, with many more people losing their jobs. Financial analysts **predict** falls in GDP on a scale worse than the 2008 recession, unemployment is already rising rapidly and nearly **1 million people** claimed Universal Credit in the last two weeks. These economic effects of the pandemic are being treated as inevitable consequences, as if they followed natural laws as surely as the replication of a virus. We disagree. A viral pandemic at the scale we are seeing does not have to produce an economic breakdown or general destitution. That in this society it does, requires explanation.

1 An external shock, for once ...

No society would be unaffected economically by a natural disaster¹, especially one whose effects are widespread, as in the case of a pandemic. The extent of the disruption will differ greatly though, depending on which society we are talking about. For much of human history the level of productivity has been so low that a large part of the population has had to work long and hard just to produce basic necessities. In such a situation, a large proportion of people who work in production falling ill or otherwise becoming unable to work would threaten the entire society's ability to reproduce itself. Successful capitalist societies only require a small number of people to produce these basic necessities. For example, **1.5% of the UK workforce** works in agriculture, producing 61% of the food consumed in the country. Or to put it in another way, the capitalist mode of production is so productive that it can afford to provide for David Graeber to moralise about what jobs are “bullshit”.²

Of course, just because a small fraction of people suffices to produce significant wealth, this does not imply that these people can easily be replaced by other people should they fall ill or should a sudden expansion in the production of a particular class of products be required. In any society, some roles require skills and training, and some products are incredibly specialised. A pandemic could therefore produce a temporary shortage of some goods even in a well organised economy. While the capitalist mode of production famously lacks such central coordination, we are already seeing how quickly companies are retooling production to make masks, hand sanitisers and ventilators. Granted, recruiting specialised roles such as intensive care nurses takes longer, a problem that's exacerbated by the chronic state of **lack of funding** and staffing for the NHS. However, while this gives cause to worry about the availability of medical care, this is not what is meant when commentators worry about an

¹ We will use the term “natural disaster” for the COVID-19 pandemic, knowing that its **spread is fundamentally linked** to how society currently functions.

² Alternatively, to use the standard favoured by **economists**, if the UK GDP were to contract by 50% this would take it **back to the size** it had in the year 2000. By capitalist standards this is a dramatic collapse but the year the Playstation 2 was released hardly passes as a prime example for a destitute *national economy*.

economic crisis.

Modern capitalist societies have the capacity to produce enough goods for the everyday material and non-material needs of their people, even when some kind of natural disaster occurs. Why then should something like COVID-19 threaten to leave so many more people unable to meet their needs? The generally agreed upon analysis is this. Illness and subsequent quarantine measures have slowed down production in China, **impacting on global supply chains**, which companies around the world rely on for their own production. This in itself would present an economic concern – in economic jargon, a supply shock. This is however not the primary concern – what is inspiring more fear is a **demand shock**. Outside of food and other necessities, social distancing means people are not buying stuff, many types of retail businesses (shops, cafes, bars) are being ordered to close or are otherwise restricted (airlines), production sites are standing still and so do not make purchases either. People not consuming things is the problem, not for *them* but for the businesses selling to them. These businesses then fire their workers, depriving them of their wages which they need to access basic necessities, a fact which is discussed as further exacerbating the demand shock. Some people not consuming enough leads to other people not being able to consume.

This is a profoundly weird result for a society to wind up with, but it reveals something about the relation between production and consumption under the capitalist mode of production: consumption is a means for the production of profit.³ Rather than the economy providing people with what they need, apparently people consuming what they can must provide for the economy. Means and end are the wrong way around. As crassly as they put it, this is what **Trump** and supposedly **Cummings** made reference to when they pondered just letting old people die to avoid an economic slow down. Populations serving the economy is also the premise for calculations of governments across the globe.

2 ... and the state reacts accordingly

The capitalist freedom to **ignore and thus exploit** the needs of others is premised on significant social wealth and high productivity, which allows for speculative production decisions (that the eventual product will be successful) without threatening the survival of society when those speculations go wrong. The speculative decision to turn wheat into either bread or a beverage based on a slide deck cobbled together by some market analyst is only an option when the success or failure of this enterprise has no significant impact on the ability of society to reproduce itself. At certain times – and the coronavirus pandemic is a good example – this margin for error can look decidedly shakey.

Given this threat to the ability of society to reproduce itself, at the time of writing, many states are considering nationalising or directing certain industries, either in terms of what they produce or who

³ This arse about face fact of life under capitalism is so self-evident that even the organised working class **appeals to its own spending power** in the hope of earning a few percentage points more of the wealth they produce under the command of their capitalists.

they must sell it to, in order to ensure that some necessary products are available. The much vaunted ability of the market to provide is faltering, and a degree of central planning becomes an acceptable option. States and commentators calculate with magnitudes of useful things (how many ventilators or masks are needed) rather than Pounds Sterling. Yet, by acting in this way states are not giving up on the capitalist mode of production as the basis for their power. Rather they are taking action to shore up their societies, and the economies on which they have made themselves dependent. This is not in principle an unusual approach. States often become the provider of goods or services they judge are necessary and which private producers cannot or will not supply (at an affordable price) – healthcare being a common example. What is unusual is the extent to which and the speed at which it is being considered.

That these measures are stopgap measures rather than the new normal can be observed from the other interventions. In addition to infringing on the freedom of the economy by providing a coordination that the market will not, states are also providing money to businesses and individuals in the form of **loans, debt payment deferral, worker retention schemes, tax reliefs and benefits**. What is particularly notable is that this approach differs from the response to the financial crisis of 2008, which saw state credit mobilised to buy financial assets but little emphasis was put on maintaining the status quo in the rest of society. In contrast, the strategy of states now can be characterised as “hibernate”: put a pause on economic activity, mobilise significant state credit to keep social relations as they were – wage hierarchies intact, employment relations in place – and hope that the economy takes off where it stopped, as if once the pandemic is under control all will return to normal.

There are two things to note about this approach. First, that “normal” was one where the **longest stock market boom in history** was propped up by **continued (post)-2008-crisis interventions** and **preventive measures by central banks**. The success of the plan to see rapid economic expansion afterwards is thus uncertain. Second, and more importantly, after the crisis companies will have to produce economic successes to justify and pay off their new debt burden, in addition to their **existing pre-crisis debts**, and to produce the “V” upturn everybody is hoping for. This means: pressing more performance out of their employees at reduced costs, i.e. wages, to maximise profits.⁴

The Gross Domestic Product, the thing that measures economic growth, is **a brutal abstraction** that adds up all monetary results of production and services. The economy expanding after the crisis does not mean that losers (companies going under, self-employed people losing their business, workers losing pay or their jobs) are not produced. It also does not mean that the usual losers, i.e. workers, are not producing that expansion. On the contrary, they will have to, and for this purpose they are being fed during the crisis. The silver lining being that those breaking their backs might be in for a round of applause, some of them might even be able to sweat for the nation with newfound pride as “key workers”.

Fuck this shit.

⁴ See Karl Marx, *Capital*, Volume 1, a book we highly recommend.

2.1 Footnotes