

The coronavirus pandemic and the failure of capitalism

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On Monday, the Dow Jones Industrial Average suffered its single worst points decline in history as the implications of the global coronavirus pandemic began to manifest themselves in a selloff in the markets.

The Dow fell by 2,013 points, or 7.79 percent. The decline was so rapid that it triggered a market circuit breaker for the first time in 23 years, leading to the cessation of trading for 15 minutes. Energy stocks fell by a staggering 20 percent, followed by financial stocks, which were down 11 percent, as US sovereign debt yields fell to a record low amid an unprecedented flight to safety.

The selloff occurred against the backdrop of the mounting toll of the global coronavirus pandemic, and particularly the events in Italy, where the government announced a mandatory quarantine throughout the country.

Over the weekend, it became increasingly clear that governments had failed to halt the spread of the global pandemic amid a sustained, exponential growth in the number of cases in Italy, Germany, France, Spain and the United States.

In recent years, the term “black swan” has entered the economic lexicon to refer to an event that seems to come out of nowhere but has an enormous impact on society under conditions where it is already vulnerable.

The proximate cause of the selloff is the growing nervousness and uncertainty over the pandemic and its impact. But the scale of the selloff testifies to the profound fragility of economic conditions in the United States and internationally. Twelve years since the 2008 crash, the world financial system stands on the brink of a devastating breakdown.

The very methods employed to stabilize the capitalist system in response to the 2008 financial crisis have created a massive asset bubble and the conditions for a

new crash. In response to the financial panic, which rendered every large financial institution insolvent, the Bush and Obama administrations transferred hundreds of billions of dollars onto the balance sheets of the banks. This was followed by the injection of over \$4 trillion in “quantitative easing” and years of zero interest rate policies.

Central banks have countered every drop in financial markets with a further infusion of funds. Significantly, just last week, the Federal Reserve responded to an earlier slide in share values by slashing interest rates another half a percent.

As a result of the decade-long infusion of public cash into the financial markets, the valuation of the Dow has quadrupled.

This process has been the mechanism for the upward redistribution of social wealth to the financial oligarchy. However, what has been concealed for so long—the tangential relationship between market valuations and real production—is being exposed by the crisis.

The selloff has foreshadowed a situation in which the stock market cannot insulate itself from a massive contraction of economic activity threatened by the pandemic, including the potential breakdown of supply chains.

No one knows whether markets are at or near a bottom. But how can a reasonable calculation be made when it is not possible to determine the impact of the health emergency on general economic output? What happens when entire production and distribution facilities are forced to close? How have Amazon or other major corporations “gamed” such a situation?

Whatever the day-to-day gyrations of the market—and no doubt each upward movement will be proclaimed as a sign of recovery—the social crisis is intensifying.

While the basic causes of Monday's selloff are deeper than the global pandemic, the impact of the disease is already enormous. If one or another worst-case scenario were to be realized, the consequences in terms of human life would be absolutely devastating.

The response to the disease in the United States and every other developed country has been characterized by confusion, lack of coordination, and an utter absence of preparedness.

The United States, the richest, the most technologically and scientifically advanced country in the world—home to Silicon Valley and the world's most prestigious universities—is incapable of carrying out the most minimal testing that would make managing the pandemic possible.

Around the country, patients and doctors are desperately seeking testing but are being denied by federal officials. A recent survey of nurses on the West Coast found that most hospitals did not have a clear plan in place to isolate and treat coronavirus patients. There are reports of workplaces lacking even the most basic hygiene products to combat the outbreak, while transit workers and flight attendants have been prevented from wearing protective equipment at work.

Such is the chaos that Trump's own newly-appointed chief of staff has gone into quarantine after coming into contact with a coronavirus patient, while the White House was unable to answer whether the president himself, who had attended a conference with an infected person, has been tested.

Experts have warned that if the number of cases continues to grow at the present rates it will quickly overrun the number of available hospital beds, leading to a rapid rise in the lethality of the disease.

Crises of this magnitude provoke profound changes in consciousness. As Leon Trotsky wrote, "Revolutionary epochs, the epochs of social landslides, turn the whole inside of society outwards." Society is witnessing the failure of a class, a system of rule, and a whole social order.

The pandemic is only the most visible of a series of events—from the disastrous responses to hurricanes Maria and Harvey, the California wildfires and the catastrophes surrounding the Boeing 737 Max, that have exposed the inability of American society to seriously address great social problems.

For the past decade, all of economic and political life

has been oriented toward the relentless upward redistribution of wealth. But the solution to all great social problems, from pandemics to climate change, requires financial resources to be directed towards addressing social needs.

Society looks very different after a major crisis. Forms of life change, forms of social intercourse change and forms of government change.

There has recently been a great deal of discussion about the legacy of the American Revolution, with the ruling class doing everything it can to slander and calumniate the democratic aspirations that found expression in it.

But it is worth recalling that the very document that founded the country begins with the timeless phrase, "When in the Course of human events... whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it."

We are now in the midst of an event that necessitates that the social and political relations that previously dominated society must be changed.

Whatever the outcome of this crisis, certain things have already become clear. Modern society presents all problems as global problems affecting the masses. The great historical challenges facing society cannot be solved within the framework of a social order based on nation-states and the principle of private accumulation of wealth.

However the crisis unfolds in the next period, it has already delivered a powerful global message: Capitalism must go. Society must be organized on a scientific and rational basis. The crisis, in other words, raises as an urgent necessity the socialist transformation of society.



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