

Finance capital and the COVID-19 pandemic

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Nothing like it has been seen in economic history. According to analysis by the Bank of America, reported by the *Financial Times* at the weekend, central banks have pumped \$32 trillion into financial markets since the pandemic began.

This means that since the interventions, led by the Fed, started in response to the market meltdown of March 2020, central banks have been buying financial assets at the rate of \$800 million per hour for 20 months.

The result has been a massive speculative boom that has resulted in a rise in stock market capitalization of \$60 trillion.

The scale of this increase can be seen when compared to figures for gross domestic product (GDP) which measures growth in the real economy. The annual economic output of the US is around \$22 trillion while global GDP is about \$84 trillion. In other words, the growth in market capitalisation, which is most pronounced in the US, is equivalent to more than two and half times annual American output. It is roughly three quarters that of the entire world economy.

These comparisons serve to underscore the nature of the escalation of the stock market and its divorce from the underlying real economy.

Stocks, bonds and other financial assets do not embody real value. Vast profits can be made when they are traded but these profits do not signify that any real value has been expanded. By contrast, in the real economy, a company makes profit from the extraction of surplus value from the labour power of the workers it employs.

Shares and other financial assets are what Marx called fictitious capital, that is, they are titles to property and, in the final analysis, are a claim on the surplus value extracted by real capital in the economy.

The situation is, of course, more complicated than depicted here, but, whatever its complexities, this is its essential dynamic.

While fictitious capital can exist for a considerable period in a kind of heaven where money begets ever greater quantities of money, often through all kinds of arcane operations, it can never completely separate itself from its earthly foundations.

This heaven can be sustained by the provision of ever greater quantities of virtually free money from the central banks through the lowering of interest rates to near zero and the purchases of financial assets. Ultimately, however, it depends on the continuous extraction of surplus value from the living labour of the working class upon which it feeds as a gargantuan vampire.

And if that flow is threatened with an interruption—by a cessation of production or through the development of strike struggles for wages—it finds expression in the markets as financial confidence is shaken.

All financial operations are highly leveraged and therefore sensitive to even small movements in interest rates. So even a minor disturbance can have significant consequences.

The latest data on the rise of the financial markets, the result of debt-fuelled speculation financed by the Fed and other central banks, directs attention to the underlying driving force behind the refusal of capitalist governments in the US and around the world, whatever their political stripe, to implement meaningful public health safety measures.

They have insisted, despite all evidence to the contrary, that a “vaccine only” policy is sufficient. Whatever the level of death and disease, the population must “learn to live” with the virus.

As the data from China reveals and analysis by conscientious scientists demonstrates, rigorous protection measures, if implemented on a global scale, could eliminate COVID-19 and all its variants from the human population.

When the measures implemented in China are cited as concrete evidence that the pandemic can be stopped, the response is often that its figures are not to be trusted.

One can be sure if that were the case, however, it would have been immediately seized on by the capitalist media which has so heavily promoted the lie that COVID-19 emanated from the Wuhan virology lab. But no such reports analysing and questioning the Chinese data have appeared in any of the world’s media outlets.

Why then have meaningful public safety health measures of protection—so often dubbed as “restrictions” on human “freedom”, not as what they really are, protections—not been carried out?

The necessary measures, including the cessation of non-essential production and economic activity, with compensation for those affected, mass vaccinations on a global scale, rigorous contact tracing combined with quarantining, as well as with other public safety measures, are well known. But they are not implemented because that would interrupt the flow of surplus value necessary to sustain the mountain of fictitious capital.

The claim is advanced that it is necessary to “learn to live” with COVID, that is, with disease and death, because the “economy” could not sustain the necessary measures.

To accept this claim, however, is to fall for an essential mystification widely promoted by bourgeois economists. This is the false identification of the economy—the productive activity of billions of workers worldwide which is the source of all real wealth—with the financial system. The financial system does not contribute an atom of real wealth. It is an institutionalised mechanism for siphoning wealth into the hands of the financial oligarchy and the pandemic billionaires.

In the 21st century, the vast productive forces created by the labour of billions of workers worldwide, combined with enormous advances in technology, mean that the economic resources exist for the full-scale implementation of public safety measures for the time necessary to eliminate the pandemic.

The resources available to society, if mobilised on a rational and planned basis in the interests of the population, rather than according to the dictates of profit, would be more than capable of dealing with the pandemic.

However, the stock markets and global financial system, bloated to an extent never seen before, cannot tolerate even the smallest interruption in the flow of the lifeblood—the surplus value extracted from the working class, on which it feeds.

This fact of economic life was demonstrated at the start of the pandemic. As the coronavirus hit, the walkouts and strikes by workers in the US, Italy and elsewhere, sent a wave of terror through the financial system.

Wall Street underwent a precipitous fall and, even more significantly, the \$22 trillion US Treasury bond market—the basis of the global financial system—froze, such that at one point there were no buyers for US government debt.

Faced with a crisis that had the potential to go far beyond the meltdown of 2008, the Fed intervened, doubling its holdings of financial assets, virtually overnight, to more than \$8 trillion. It stepped forward as the guarantor for all areas of the financial system at one point spending \$1 million every second.

The intervention stabilised the markets but none of the underlying causes of the crisis have been resolved as

numerous official reports on the March 2020 events make clear. Very definite conclusions, however, were drawn. The market meltdown led to adoption of the mantra “the cure cannot be worse than the disease,” that is, no matter what the extent of the death nothing must be done that impacts on the financial system.

The emergence of the even more virulent Omicron variant has resulted in a new stage of the crisis. The claim that a “vaccine only” policy suffices has been refuted by events. The overriding fear in financial markets is the eruption of a movement in the working class fighting for measures to end the wave of death.

The issues confronting the global working class are emerging ever more clearly. For long decades, the ruling classes and their ideologists have maintained that the capitalist market, private property and the parasitic financial system that has arisen from it, is the only possible socio-economic order. The Marxist analysis of the inevitable breakdown of capitalism was mythology.

However, the lesson which must be grasped from the events of the past 20 months is that the complete inability and refusal of the present order to deal with the pandemic is the form in which the breakdown of capitalism is emerging.

The incompatibility of the capitalist socio-economic order with the advance of society and with life itself is being established not simply in theoretical form, but in living events themselves.

The Global Workers Inquest into the COVID-19 pandemic conducted by the WSWs is central to the development of the understanding in the working class of the political tasks, the fight for a socialist program, that now directly confront it as the ongoing breakdown of capitalism assumes the form of a continuous monstrous crime against humanity.



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