Millions driven into poverty by pandemic, soaring prices and recession

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The World Bank report on the growth of global poverty released earlier this week presents a graphic picture of the devastating impact of the COVID-19 pandemic on hundreds of millions of people in the world’s poorer countries, now being exacerbated by rising inflation and the shift of the world economy into recession.

According to the report, the pandemic dealt the biggest blow to poverty reduction in decades. The number of people pushed into “extreme poverty,” defined as receiving less than $1.90 per day, rose by 70 million to reach a total of 700 million, or 9.3 percent of the world’s population in 2020.

Under conditions of rising inflation, exacerbated by the US-NATO war against Russia in Ukraine and the downward movement in the currencies of developing markets, produced by the interest rates hikes of the US Federal Reserve, the situation shows no signs of improvement.

By the end of this year, as many as 685 million people could still be living in extreme poverty, making 2022 the second worst year for poverty reduction in two decades, after 2020.

The pandemic, as in so many other areas of economic and social life, was a trigger that accelerated processes already underway.

As the report noted, in the five years leading up to it, poverty reduction had slowed and by 2020 “the world was significantly off course on the global goal of ending extreme poverty by 2030.” It estimated that on present trends, seven percent of the world’s population—574 million people—will still be in extreme poverty by the end of the decade.

Even before the pandemic struck, nearly half of the world’s population (47 percent) were living in poverty, defined as receiving less than $6.85 a day.

Together with the 20 million estimated to have died because of the pandemic and the millions who continue to be infected, alongside millions of others suffering debilitating effects of Long COVID, the rise in poverty is a further expression of the magnitude of the social crime committed by capitalist governments around the world in their refusal to undertake the necessary public health measures to eliminate the virus from the human population.

This was not because it was impossible to do so—the experience in China shows it is eminently feasible—but because of the adverse impact it would have on stock markets, bloated to extraordinary levels by the provision of trillions of dollars from the Fed and other central banks.

Now the agencies of finance capital are committing new crimes. To try to crush the movement of workers and the oppressed masses around the world as they confront the highest inflation in four decades, the central banks are lifting interest rates in order to induce a recession.

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The impact is already being felt by the world’s poorest people. The currencies of less developed countries have declined dramatically, leading to an escalation of food and energy prices in the local currency.

The experience of Ghana is an example of this process. Over the past year the dollar price of oil has risen by 12 percent. But over the same period the currency, the cedi, has fallen by 40 percent against the US dollar. This means that a barrel of oil which cost 475 cedi a year ago now costs more than 900 cedi, nearly double.

This experience is being repeated in country after country in food, energy, medical supplies, and other vital imports.

At the same time, a growing number of countries are on the edge of default on the debts they owe to government agencies and international finance capital. The debt of at least 10 countries has already been listed as being in extreme stress and many more will follow.

The "restructuring" programs being dictated by the International Monetary Fund mean that the experience in Sri Lanka, which has already defaulted, setting off a full-scale onslaught against the working class to pay the vultures of international finance capital, are being extended around the world.

The World Bank calls for a series of reforms aimed at aiding the poor, knowing that governments intend to do nothing of the sort.

In fact, interest rate hikes being instituted by the US Fed are driving the world into recession, as the World Bank has already acknowledged together with the World Trade Organisation, the United Nations and a plethora of economists.

At its semi-annual meeting to be held in Washington next week, the IMF will again revise down its forecast for global growth, for the fourth time, as indicated in a speech yesterday by the Fund's managing director Kristalina Georgieva.

The IMF estimates that countries accounting for about one-third of the global economy will experience at least two consecutive quarters of contraction either this year or next, and even where growth is positive, "it will feel like a recession because of shrinking real incomes and rising prices."

The total loss of global output between now and 2026 is expected to be about $4 trillion. "This is the size of the German economy—a massive setback for the world economy," she said, adding that "it is more likely to get worse."

The IMF chief did not intend it, but her remarks were an indictment of the policies pursued by the supposed guardians of the stability of the global capitalist economy, above all the policy pursued on COVID.

After growth of 6.1 percent in 2021, she said, "most economists, including at the IMF, thought recovery would continue, and inflation would quickly subside—largely because we expected vaccines would help tame supply side disruptions and allow production to rebound. But this is not what happened."

Multiple shocks, including the war in Ukraine, "changed the economic picture completely," and "far from being transitory, inflation has become entrenched."

But with the policies on COVID having produced a disaster, new disasters are being created.

Endorsing the interest rate hikes, Georgieva said "not tightening enough" would cause inflation to become "de-anchored and entrenched," code words in ruling circles and their economic agencies for a situation in which the working class strives to defend its living standards through strikes and social struggles.

The suppression of this movement is the number one priority of the financial elites even though, as she acknowledged, it could "push many economies into prolonged recession."

The World Bank report and the further devastation now unfolding must be the occasion for the working class to soberly take stock of the situation it immediately confronts and the nature of struggles already developing.

Developments in the US, the centre of world imperialism, are particularly significant. After decades of the suppression of the class struggle, hundreds of thousands of workers, with millions more behind them, are coming into battle and are increasingly receptive to a socialist program.

Two opposed programs are on a collision course. The political economy of the capitalist ruling class is based on the drive for profit, no matter what the cost in human life and economic devastation.

The political economy of the working class is based on the utilization of the vast economic resources which its labour has created for the advancement of human well-being. There is no middle ground or reformist road here. The material interests of the two main classes in capitalist society are irreconcilably opposed.

The life interests of the working class, the mass of the world's people, can only be realized through a unified international political struggle against all the agencies of capital, above all the trade union bureaucracies, for the taking of power to carry out the socialist transformation of the global economy.

The prerequisite for its achievement, as world capitalism plunges from one disaster after another, is the building of the world party of socialist revolution, the International Committee of the Fourth International, to provide the necessary leadership for the struggles now erupting.