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Virus triggers capitalist chaos

March 16 — The stock market collapsed today. The Dow Jones Industrial Average of stock prices lost nearly 3,000 points in just one day, despite the infusion of several trillion dollars into the market by the Federal Reserve Bank. Several times the market was shut down, but continued to implode once trading began again.

It was a monumental event and the biggest one-day drop of stock prices in history.

It will affect not just rich investors and capitalist owners, but anyone whose retirement plan or life savings are tied to the market. Businesses large and small will also start laying off workers and declaring bankruptcy in order to shield their owners from personal loss.

This worst drop in history has made it crystal clear that the COVID-19 pandemic has uncovered a cataclysmic weakness within the U.S. capitalist economy. But that's not what the politicians or moneymen are saying. They are blaming the coronavirus itself for causing the economic catastrophe.

A closer look shows such a claim to be false.

No economic crisis in China

The virus has been around the world for months now. It first hit China very hard in December in the province of Wuhan. However, after suffering nearly 81,000 cases of the infection and more than 3,000 deaths, China now reports that new cases are down to about 20 a day and deaths to 13 a day — in the largest country in the world, with a population close to 1.4 billion people.

In this period the Chinese economy has been hit hard and the affected areas virtually locked down, shutting much production. However, even though China has become the "factory of the world," the severe hardships suffered by millions there for several months did not shut down the Chinese economy. Nor did they trigger a worldwide economic collapse.

Now, some three months after the first cases were reported there, and after the Chinese government launched a massive effort to keep the virus from spreading, COVID-19 has largely been contained in China itself — thanks to the vigorous measures taken by the Communist Party. But the virus has emerged in 162 other countries and territories around the world, from Iran and Italy to the isolated Faroe Islands in the North Atlantic.

Compared to what China went through, the COVID-19 pandemic has until now had a much smaller effect on the U.S. population. Without minimizing the seriousness of this disease, which will continue to spread, it should be understood that fewer than 5,000 cases have been reported here so far and just 87 people have died — a small fraction of what China has suffered.

By contrast, the opioid crisis, which has raged in economically depressed areas of the U.S., killed over 60,000 people each year from 2016 to 2018 (the last year with complete statistics). (drugabuse.gov)

Yet already there are dire predictions that the U.S. economy will now seriously contract and many, many workers will lose their jobs — perhaps millions — all supposedly because of the coronavirus. This is unlike China, where work has resumed even in areas most affected by the virus.

A very high level of both personal and business debt in this country limits how long people and firms can stay above water in a recession, which at this point seems sure to follow the enormous collapse of the financial markets.

So it is important to look at other factors, besides COVID-19, that are pulling down the economy.

Profit greed brings overproduction

In the buildup to the crash that has now swept Wall Street, the symptoms of global overproduction of vital commodities stand out. Particularly telling is the drop in the price of oil — a commodity that is central to both industry and transportation.

Just a few months ago oil was selling for more than $60 a barrel on the international market. Now there is a glut of oil and the price has dropped to around $30 a barrel.

This is well below what it costs to produce oil from fracking. This expensive and environmentally horrendous method of extracting oil from shale rock has grown exponentially in the U.S. and become a major source of this country's oil production. Now fracking is on the verge of collapsing. (Fortune magazine, Feb. 15)

The current glut of oil may help accomplish what the Indigenous and environmental movements have demanded for years: shutting down fracking. But it's not because the U.S. oil billionaires have seen the light and embraced a greener planet. It's because shale oil can't produce a profit when prices drop this low.

This is a classic example of capitalist overproduction. Overproduction is a built-in feature of capitalism and precipitates an economic crisis. It doesn't mean that more is being produced than what people need. It means that more is being produced than can be sold for a profit. Overproduction is generated by the breakneck churning out of ever more commodities in order to beat out the competition. For the capitalists, profit greed dictates that they must expand or die — sell ever more of a product or service or go under.

This has been the cause of periodic crises ever since capitalism became the dominant mode of production in the world. It is also what has driven capitalist countries to wage horrendous wars with each other as they have carved up the globe into their spheres of economic interest.

This private ownership of the vast means of production by a small group of super-rich individuals and their banks is what underlies the current economic crisis. The coronavirus is just the spark that set off an implosion waiting to happen. The worst is yet to come.

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