

# **CAPITALIST CRISIS AND THE CORONAVIRUS**

The coronavirus has rapidly spread around the world, with over two million cases and tens of thousands of people dying (as at 15 April 2020).

As a result of the privatisation of healthcare under neoliberalism, many healthcare systems are at breaking-point. Limited ventilators and space in specialist wards mean that doctors and nurses are forced to decide who lives and who dies.



As the world stumbles towards a depression, or at the very least a deep recession, and millions face the real prospect of dying from the virus, the rich are focused on saving their capital and protecting the financial sector at the expense of the working class (workers and the unemployed) .

# **CAPITALISM WAS ALREADY FACING A CRISIS...**

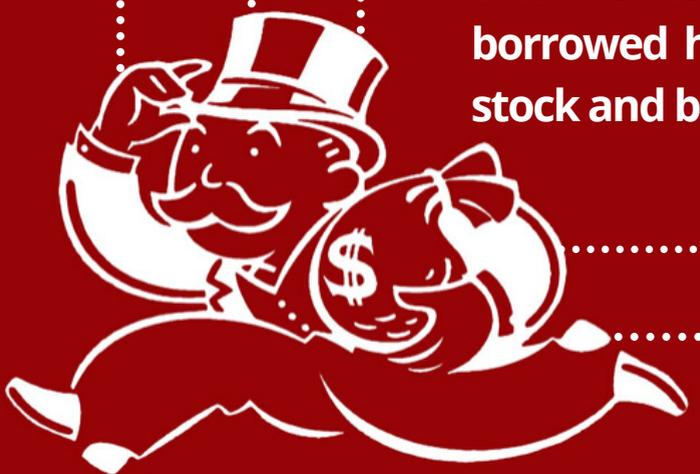
Even before the outbreak of the coronavirus, the world and South Africa were experiencing a capitalist crisis, having never recovered from the 2008 recession.

After 2008, finance capitalists were assisted through bailouts, quantitative easing\* and lowered interest rates, but the countries themselves went into greater debt. At the same time, states slashed social spending on the working class, including cutting expenditure on the healthcare system that is now so desperately needed.

Finance companies did not use the bailouts they received for production, but to buy back their own shares (in order to inflate the prices of these shares) and speculate on stock markets. With state money flowing into the finance sector, stock markets soared, even though the economy globally stagnated.

Due to lowered interest rates, most corporations borrowed huge amounts and used this to speculate on stock and bond markets. This led to massive global debt.

With the coronavirus, these stock, bond and debt market bubbles have now started to burst because of a slowdown in production and the lending (credit) system worldwide freezing up, including in South Africa. While the virus is not the sole cause of the crash we are seeing, it is the trigger.



*\*Quantitative Easing: when a country's central bank purchases government bonds or other financial assets in order to add money directly into the economy.*

**...BUT THE CORONAVIRUS**

**IS THE TRIGGER FOR A MUCH**

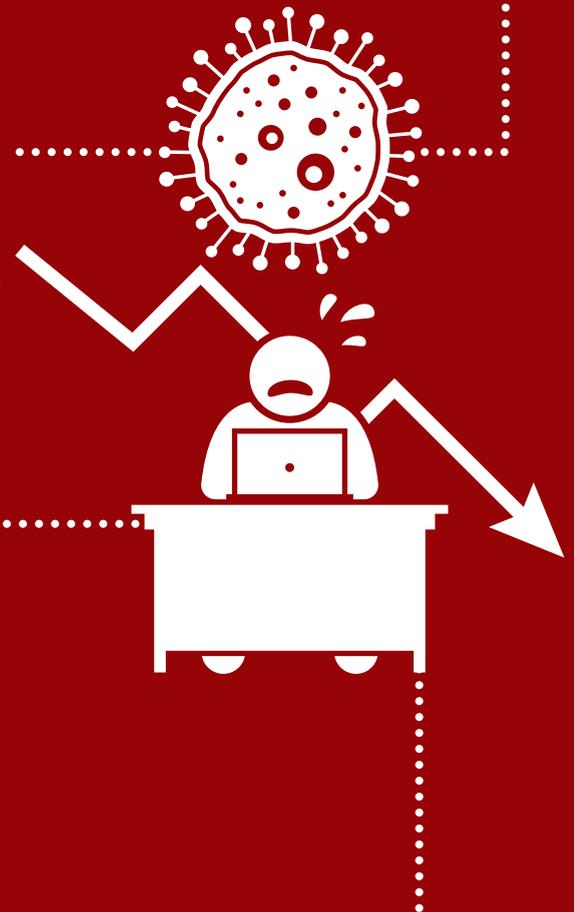
**DEEPER, SYSTEMIC CRISIS**

As the coronavirus has spread across the globe, many states have placed their countries under lockdown. With the majority of people unable to work - except for those working in 'essential services' such as health, food and energy - production in many sectors has come to a halt. Demand for non-essential goods and investing in the debt of states and companies (for example, by purchasing government bonds) has dried up.

In South Africa, the state attempted to auction its bonds early in March but there were almost no purchasers. This was the trigger for Moody's (one of the international capitalist rating agencies) to downgrade South Africa's credit rating to junk status.

With stock markets failing, production declining, and the credit system under severe strain, the world is fast heading towards a depression. The South African economy will shrink, resulting in bankrupt businesses and job losses.

The coronavirus has intensified the capitalist crisis, which is destined to leave a negative legacy long after the pandemic has ended as the economy struggles to recover.



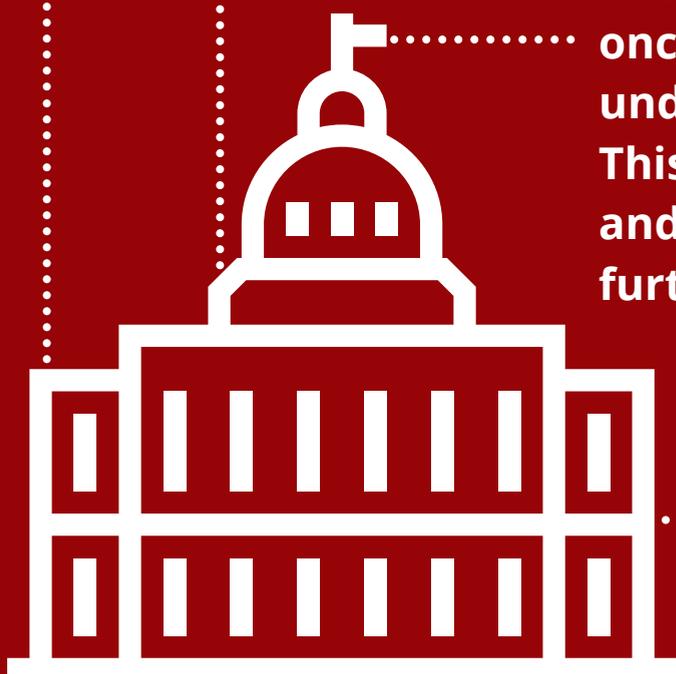
# WHAT ARE STATES DOING?

States have moved quickly to assist the capitalist class to ride out the immediate impact of the crisis – showing how states are controlled by and are tools of the ruling class. Huge amounts of money are being handed to financial corporations through bailouts and quantitative easing to assist them during the crisis, under the flawed notion that doing so will encourage these corporations to invest productively, revive the credit system and boost stock markets. South Africa has also introduced quantitative easing.

While the South African state has released some emergency funding for food and healthcare to the working class during the pandemic, and is looking into raising social grants and even perhaps implementing a basic income grant, it has stressed these measures will be temporary.

The South African Treasury announced that once the immediate crisis is over it will undertake what it calls “structural reforms”. This means that they will deepen austerity and implement neoliberal measures even further to favour capitalists.

If this pandemic has made anything clear, it is that the ruling class will use crises to push through regressive changes that deepen inequalities.



# THE IMPACT OF THE CRISIS

## ON THE WORKING CLASS

Many companies are protecting their profits during government-enforced lockdowns by laying-off workers or forcing them to take unpaid leave through implementing the 'no work, no pay' rule. This means that millions of workers, especially casual and precarious workers, have found themselves without any income to make it through this pandemic.

Workers in 'essential' sectors are being further exploited, as they continue to be underpaid and are not provided adequate protective gear, despite their increased risk of contracting the virus.



While some governments have made funds available for healthcare and the partial covering of workers' wages, these are only a small percentage of the assistance being given to capitalists. As unemployment skyrockets and people scramble to find resources to feed themselves and their families, these funds are simply crumbs that have been thrown from the tables of the ruling classes to dampen possible upheavals by the working class.

**This moment has made clear  
the need for the working class  
to organise itself, to demand and  
fight for immediate needs and  
to build progressive organisations  
that are grounded in solid principles,  
values and practices in the long run.**

