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# CoViD-19 and Capitalist Collapse: Answers to some questions about the present emergency

**SUMMARY:** According to the St. Louis Federal Reserve, as many as 47 million workers may lose their jobs as a result of the emergency public health measures taken to control the coronavirus pandemic.

Once the pandemic is contained, those unemployed workers will return to the labor market en masse seeking work.

47 million.

If we do not take steps now to reduce hours of labor, the consequences of that level of unemployment are unthinkable.

Looking for comments on this discussion paper from everyone.

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So, let's answer some questions.

**QUESTION:** What is unique about this crisis?

**ANSWER:** First, it should be clear that, from the point of view of Marx's labor theory of value, this is NOT a crisis.

According to Marx, "crises are always but momentary and forcible solutions of the existing contradictions" within the mode of production. They arise from the working out of the contradictions within the mode of production itself. This emergency is obviously external to the mode of production. Based on reports, it began with the emergence of a viral infection of unknown origin in the People's Republic of China, which rapidly spread to engulf most of the world market. The pandemic soon forced most nation states to take aggressive public health measures to contain it. Among these measures were so-called *social distancing* to slow the spread of the virus. These measures led states to close down many so-called *non-essential business operations* and confine citizens to their homes.

These drastic emergency public health measures have their own economic consequences: in the first place, many capitals were forced to stand idle as a result of the public health measures. In second place, millions of workers have been set free from their jobs. The dependence of millions on this slender thread of survival was graphically highlighted by the emergency.

The public health measures thus interrupted both the sale of labor power and the circulation of capital.

To implement a necessary public health measure to contain the spread of a deadly disease, nation states were compelled to interrupt the global capitalist accumulation process itself; they were forced to shut it down. This makes the present emergency very different than — say — the Great Depression, the collapse of Bretton Woods, and the 2008 financial crisis, which produced the three greatest economic crises in history. Those economic contractions arose from contradictions internal to the mode of production and as forcible solutions of those contradictions.

This event may indeed be far larger in scale and more extensive than any of those crises, but the solution to this emergency is external to the process of accumulation.

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**QUESTION:** Marx never held to a theory of capitalist collapse. Can you explain why you think capitalism is dead?

**ANSWER:** We agree that Marx never spoke of capitalist collapse, so far as we can tell. He did speak of the breakdown of production based on exchange value. That event actually occurred in the 1930s. Today, there are many folks who pretend to be students of Marx who deny this breakdown happened. However, we are not referring to that event.

The present situation related to the emergency could not have been predicted by Marx because it doesn't arise directly from the working out of the law of value. Rather, it results from measures taken by the state to contain the coronavirus pandemic. The state was forced to shut down all non-essential businesses and interrupt the sale of labor power. These measures brought the capitalist accumulation process to a standstill worldwide.

For the moment, the capitalist mode of production is dead because the state was forced to shut down capitalist accumulation.

Now, some may think the mode of production can be restarted. In this, politicians like Trump will agree with them. We question this assumption. It is not as simple as they think to restart the capitalist accumulation process. For one thing, no one knows the value of anything. Capital is value in motion, self-expanding value. What is the value of capital that is no longer self-expanding? What is the value of labor power that cannot be sold at any wage? These questions are not settled on a spreadsheet, but in a competitive struggle between and among

classes. When people are told to go back to work, that competitive struggle will begin. It likely will not end with the restoration of the normal operation of the capitalist mode of production.

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**QUESTION:** Can you point to the central contradiction in this emergency on which communist should focus?

**ANSWER:** This is an important question. We have noticed that a lot of communists are focusing on the pandemic itself and the strategy for combating it. We think this emphasis is misplaced. The pandemic is a big problem that must be addressed, but, to be absolutely frank, it's not our problem. It is a public health problem. Personally, we follow the advice of public health officials so we don't get sick. We don't take medical advice from communists, unless they have medical degrees.

However, as communists, we cannot help but consider the intersection between the necessary public health measures taken to suppress the pandemic and existing social relations. We think everyone would agree these measures have social implications. From that point of view, the central contradiction in this emergency is between capitalist relations of production and the technical requirements of the public health emergency.

As we explained above, the requirements of the public health emergency call for so-called "social distancing" to slow the spread of the contagion. But this measure has led to the interruption of the process of capitalist accumulation as millions of workers were directed to stay at home and non-essential capitalist firms were forced to close. This has produced an economic contraction that is likely larger than any previous contraction in history. As a result, the various nation states have been compelled to step in and implement assorted relief measures designed to replace the wages of the working class and to bail out idle and failing capitalist firms that are teetering on the edge of collapse.

This capacity to intervene is not uniform among nation states. In the first place, the United States can operate rather freely, since it controls the world reserve currency. Next up, are those nation states, like Germany and China, who have accumulated large reserves of foreign exchange. They can, if they choose, expend some of these reserves to maintain capitalist accumulation on life support for some time. Following these surplus nations are those countries that have standing to borrow in a pinch. They have some limited capacity to maintain their national capitals on life support, but this is circumscribed by foreign and domestic creditors. At the bottom of the pyramid are the vast majority of nations that have few resources and are utterly dependent on foreign assistance.

The recent US package amounted to about \$2.2 trillion. This is roughly ten percent of its gross domestic product for 2019. It is the third and largest package passed into law. No one thinks this is the last package that will be required for this emergency; already work is continuing on a fourth package. These packages are designed to maintain existing relations of production until

such time as the emergency is passed and the normal operation of the mode of production can be restored. We don't think anyone imagines there is another nation that has the capacity to do what the United States is doing.

There is certainly no nation state in the fourth group that has this capacity. We have our doubts that there are any nation states in group three who have it without international support. In large part, all of this depends on how long this emergency lasts. Few nation states have the resources to sustain programs to replace the wages of their respective working classes and profits of capitals though these spending packages for long. Just to give an example, it would cost roughly \$200 billion a month to replace the wages of 30% of the United States working class should they be unable to work because of *social distancing* measures — using the [BLS 2019 median wage](#) of \$48,672 as our wage base.

In Europe, many people have lost their job, but this being disguised in one way or another [by state programs](#). According to the NYT, the increase in jobless claims this past two weeks is “*an American peculiarity*.” Jobs do not appear to be destroyed so fast. Apparently, European governments are protecting employment even in industries that are shut down. The state pays their wages through direct payments to employers. Unemployment is officially held lower, but the cost to the state likely is just as high.

The United States is late signing onto this social-fascist strategy. But it is still trying to encourage employers to maintain workers on payroll through the so-called [Paycheck Protection Program](#). This may disguise the extent of the damage done to the productive forces in this crisis, but it does little to mitigate the actual damage. (The Bureau of Labor Statistics does not count workers as unemployed if they are still on payroll, even if they work zero hours.)

The most despicable thing about the program is that it encourages workers to remain dependent on capital to receive state aid.

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**QUESTION:** How extensive is the damage to the mode of production in this emergency?

**ANSWER:** We have asserted that capitalism is dead and some take exception to this declaration. Okay, fine. At a minimum, capitalist accumulation has largely come to a standstill.

But here is the thing: capital, as we all know, is value in motion, self-expanding value. How does value in motion come to a standstill? What happens to capital, when value itself no longer circulates as self-expanding value? Can one simply turn capital off, like a light switch, for weeks, or even months, and turn it back on again, once the “All clear” has been given by the public health authorities?

Don't be so fucking quick to answer, “Yes.”

We have never been here before. And, largely, our immediate actions will be determined by the answer we give. If we assume capital is dead, we will act one way. If we assume capital is alive and just waiting to spring back into action, like Donald Trump, we will act another way. The swift action that led to the adoption of relief measures in Washington suggests the fascist do not think capital is as resilient as communists seem to think it is.

To paraphrase that American officer in Vietnam, the fascists found it necessary to destroy capitalism in order to save it.

How bad has it gotten already?

This is unclear, but it is already unprecedented:

First, the Federal Reserve has predicted that as much as 30 percent of workers will be displaced from their jobs as a result of this emergency. It is difficult to tell how much of this has already been realized, since the archaic unemployment reporting system completely broke down in this emergency according to one media outlet. Basically, the March monthly non-farm payroll report, which tells us how bad unemployment has become, shows that overall unemployment in the United States fell only 701,000 persons, although millions already have lost their jobs over the last two weeks. The reasons for this is the way the data is collected and published by Washington. (The Economic Policy Institute [has an article on the problem.](#))

The horrendous damage actually done to the productive forces by this emergency may be hidden from official unemployment statistics for a month. This is a problem. Often, reality is only *real* for commies if the government reports it and the media echoes it. But the way the U.S. government collects data is deliberately designed to blunt public perception of things like rising unemployment and inflation for obvious reasons.

However, we do have access to slightly more reliable proxies. There is the [BLS weekly initial jobless claims](#) report which shows unimaginably huge jumps in jobless claims over the last two weeks of nearly 10 million persons. This is more jobless claims than the whole of the 2008 financial crisis.

We can also look at other countries. Israel, facing the same state public health lockdown, has seen its [unemployment rate jump from historic lows to 24%](#) in a single month. While Spain has also seen [a massive jump in jobless claims](#) that has almost wiped out all employment gains back to historic financial crisis highs in 2013.

We have other indicators that suggest massive damage as well: the auto industry remains completely shut in, subway ridership is down 75%, airline travel is down 93%, and retail foot traffic is down 97%.

Beyond this, European services purchasing managers index, a forward looking survey of purchasing managers in the services sector, is near apocalyptic levels. Italy has fallen from 52.1

to a deeply contractionary reading of 17.4; Spain has fallen from 52.1 to 23; France collapsed from 52.5 to 27.4 and Germany plunged from 52.5 to 31.7.

Taken together, these assorted proxies suggest the public health measures to contain the pandemic are inflicting savage and ongoing damage to the capitalist accumulation process.

Another, less direct reason to expect unprecedented carnage to the productive forces is that we suspect the terrain of the world market has been prepared for this event in the same way years of drought prepares a region for uncontrollable wildfires. The [literature](#) has long marked the accumulation of a very large mass of superfluous capital and a very large population of surplus workers, resulting from the transformation of agriculture and the improvement in productivity of social labor in industry, combined with state efforts to engineer continuous expansion of empty labor in the tertiary sector, through massive deficit spending.

The measures taken in the present emergency appear to have punctured a bubble that has been at least nine decades in the making — back to the Great Depression. We cannot overemphasize how significant this situation is. We already have accumulated a huge surplus population from previous economic contractions that have not been absorbed back into productive employment. The emergency measures taken in response to this pandemic will easily increase those numbers by a magnitude at least. And it is likely that profound changes in the economy predicted to take place over the next decade, (e.g. widespread automation), may now be realized in a matter of months or even weeks.

Let us be clear: you do not have to be a *catastrophist* to understand what has happened here. In two short weeks, capital values have been destroyed and workers have been set free from production on an unimaginable scale seldom seen in a full-blown economic contraction lasting years, perhaps decades. And this has occurred not just in one or two countries, but in almost every nation on the planet and all together.

We hardly think anyone contemplating this situation can operate from the baseline assumption that capitalism has survived.

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**QUESTION:** The state will not let anything prevent the return to the pre-Covid status quo. In your opinion, what is their most likely strategy to do this?

**ANSWER:** So, this thing operates on several levels — most of which don't concern communists directly, but which will inevitably distract our attention. There is the politics of the effort — which will get hysterical. ("Trump is killing us!") Who cares. Then, of course, there are the technical-medical considerations: when is it actually safe to attempt to relax public health measures?

Then there are the historical-material considerations. And here, there are two questions we think — maybe more. First, how will the state try to restart the capitalist accumulation process? Second, what will happen when the state attempts to restart the capitalist accumulation process?

Let's assume, the public health authorities give the all-clear on May 1 to go ahead with a back to work order and no major resistance is given by the Democrats. Everyone is onboard with trying to restart the capitalist accumulation process. (These assumptions are not real, mind you, they just allow us to abstract from all of the petty political nonsense.)

So, what strategy will the fascists use to restart accumulation?

We don't expect anything fancy here. We think we will see the standard recession/depression playbook. That means a huge fiscal stimulus bolus and massive tax cuts targeted to businesses and the very wealthy. The Democrats and the GOP will argue as usual over who gets how much of what — as if it makes a difference under wage slavery which slave master gets the actual subsidy. Anyone expecting any creativity here is likely to be disappointed. We haven't seen anyone thinking outside the box so far, when it comes to "getting the economy back on its feet."

If creative thinking is going to happen, it will happen only when this uninspired stuff fails.

The Obama administration, for instance, never attempted to recover any of the jobs and output lost in the 2008 crisis over its eight years. It just let all of that lost output and those lost jobs go. We expect the Trump administration will do the same. So don't expect anything fancy; Trump will be happy if he doesn't get hung from a lamppost.

Meanwhile, on track two, separately, out will come the WISHLIST.

We think this starts with elimination of things like the minimum wage, implementation of right to work, repeal of various labor protection laws, etc. NLRB, as useless as it is, will likely be abolished or gutted. (In this vein, Trump's NLRB is making it almost impossible to unionize in the United States.) This will be total class war, the likes of which has never been seen in the whole of the history of capitalism.

This will unfold against the backdrop of extreme deprivation and competition for jobs among the working class. Again, *people should be clear that the measures taken to control the pandemic are not the crisis. They are only the trigger to the actual crisis.*

Even as we speak, the plans are being laid for this total class war in the White House. Forty-seven million have been unemployed in the United States — billions worldwide. This implies competition on a scale that is unimaginable to us today. All this has been prepared by the impact of the emergency measures taken to contain the pandemic on capitalist relations of production.

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**QUESTION:** There's probably little we can do to stop things like direct deposit of 'wages'. Or unemployment checks, etc. How do we actually prevent global accumulation from re-starting? Can we in any way control the restoration of capitals and restoration of wages?

**ANSWER:** The only way to prevent capitalist accumulation from restarting is to immediately reduce hours of labor. We need to replace the present emergency shutdown of non-essential businesses with a strict reduction on hours of labor of a similar magnitude. By radically reducing hours of labor and imposing compensation through a dramatic increase in the minimum wage, we can at least impose severe restriction on the scale of any future attempt to reestablish capitalist accumulation.

It shouldn't take a rocket scientist to figure out how this works:

It is estimated that this emergency shutdown of non-essential businesses will eventually lead to roughly 47 million workers being unemployed, furloughed or otherwise idled. This translates into an estimated reduction of GDP by about 30-35% and actual employment by about 30%.

The present approach taken by the fascists is predicated on the shutdown being ended before another relief bill is necessary. The amount of the recently passed relief measure is \$2.2 trillion, but it is a mere stopgap designed to fill in temporarily until the capitalist accumulation process can be restarted. As we said above, it takes about \$200 billion a month to replace the wages of those who have been laid off, furloughed or otherwise separated from their jobs. (This is assuming 30% of the working class is displaced and that they receive an average stipend of approximately \$50 thousand in place of wages. The fascists won't pay out \$50k, of course, but what they don't pay out will be lost in sales on the other end.) It does not include various other programs designed to keep capitalist firms — particularly small businesses — afloat until such time as normal operation of the mode of production can be restored. Finally, it does not include aid to the states, whose revenues have collapsed, pension funds, various independent agencies and the medical system, which is being stressed beyond belief.

Now, try funding this (or something like) this month after month after month — in Nigeria or Venezuela, where oil prices have now collapsed because demand has collapsed in this emergency. This approach obviously cannot work anywhere but the United States and a handful of very rich countries.

Communists, especially those in the rich countries, who advocate this approach need to *check their privilege*, as the saying goes.

The approach we advocate is simple: since we are already looking at a 30-35% collapse in GDP and employment, and since capitalist accumulation has already been halted by this public health emergency, why not just lock things in right here? This would mean a dramatic reduction of the forty hours working week to 28 or 24 hours per week — let's say, three 8 hour days.



Instead of trying to deficit spend our way to a restoration of capitalist relations of production, we could impose a reduction of hours of labor on a scale that is similar to 30% unemployment already made necessary by the public health emergency.

What are the advantages?

First, the absolute accumulation of excess capital and a surplus population of workers has been stopped for the most part, globally. By locking in a deep reduction of hours of labor at this point, we prevent the capitalists from restarting it. We could go further and reduce hours of labor still more to 15 hours or even ten hours — imposing draconian limits on accumulation and forcing introduction of automation to compensate for a rapidly shrinking labor pool.

Second, as satellite data is showing, the present level of employment hours is having a dramatic impact on global climate change. Reduction of hours of labor has an immediate impact on this problem that can be visualized noticeably. We would be doubling down on this positive development.

Third, as more writers are beginning to note, reduction of hours of labor has a positive impact on the cohesiveness and wages of the working class. This is, by far, the most important factor for communists to think about. Reduction of working hours undercuts competition and fragmentation within the working class and strengthens their bargaining power by reducing the aggregate amount of labor supplied to capital.

Fourth, at the same time, we want to warn those who are complacent about the restoration of capitalist accumulation that the damage done to labor markets in this period is unimaginably extensive and will take a long time to heal. Once this pandemic emergency is declared over, people will be told to go back to work. Millions will already have lost their jobs by then. (To give an example: retail brick and mortar is likely never coming back. That's one out of every four workers in the United States. Where will those workers go for jobs?) **Forty-seven million workers frantically looking for work at the same time is not something we should ever want to see happening in the United States.** But this is exactly what is likely to happen if the emergency passes and restoration of the status quo ante is attempted.

Fifth, reducing hours of labor, especially in the rich countries, will, naturally, cause capital flight. As bizarre as this sounds, this is actually a good thing. Africa, Asia and Latin America need investment. They will not get it unless capital currently locked up in the rich countries is forced to flee to the less developed regions of the world markets. A dramatic reduction of hours of labor here will accelerate this process.

Sixth, reducing hours of labor will accelerate automation. There is no better way to force capitalists to introduce improved methods of production than to drive up labor costs. Reducing hours of labor can do this by increasing the cohesiveness and bargaining power of the working

class — just as leaving 47 million workers unemployed can weaken the working class, by leaving it balkanized and fragmented.

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**QUESTION:** Where do we begin responding to the coming crisis? Are there steps we can take right now?

**ANSWER:** *The crisis will begin once the emergency measures to contain the pandemic end are relaxed and workers are told to go back to work.* At that time millions of workers in the United States and billions around the world will no longer have jobs and no prospect of finding a job. Capitalist relations of production will experience a sudden and forcible adjustment to this new reality, the likes of which we have probably have never witnessed in the history of the mode of production.

There is one idea folks can work on now to prepare for that time. It is extremely important to forge solidarity between workers who are still at work and the millions who have lost their jobs. This effort must be given the highest priority by communists now, before the emergency is declared over and workers are forced to return to the labor market looking for jobs.

We suggest communists everywhere at least form mutual aid funds of workers helping workers to provide mutual aid between the employed and unemployed -- no state, church, NGO or charity involvement! (We would even discourage labor union involvement, since they are often controlled by the fascists.) Efforts should be made to take up collections of money, food and clothing at your workplaces to aid the unemployed. This campaign should be a pure worker to worker mutual aid effort. Committees should be formed covering both workplace and community. People need to facilitate it by doing research in their communities to find out who has already lost their jobs in their community, collect names etc. We want to build ties of solidarity within the class outside the state, church and charities. If these ties are not forged between the employed and unemployed, workers will be set against one another when the crisis hits.

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We are urgently calling for a shift in the strategy of all communists that takes into account the new reality created by the emergency measures imposed by the state on the capitalist accumulation process. Because of this pandemic, the state has been forced to do what communists have been aiming to do since the time of the Communist Manifesto: shut down the capitalist accumulation process.

Admittedly, it has happened in a way we did not expect. *The impact of the public health measures taken to respond to the pandemic on capitalist relations of production turned out to be a black swan.* And it takes a second to wrap our heads around the fact that it happened. Workers are off the job not because of a general strike, but because the state has closed all

non-essential businesses. This did not happen the way we expected it to happen. But it happened! The accumulation process has been shut down. This is actually where we are now!

The state has been forced, very much against its will, to shut down all non-essential businesses; to shut down the accumulation process itself. What can we do this very instant to keep it shut down? There are millions of workers who are now set free from productive employment; they are unemployed. We need to fight to convert this huge mass of unemployment into free time for every member of society. The alternative is one relief bill after another as the state tries desperately to reestablish the old relations of production.

We cannot let another opportunity pass us as happened during the Great Depression when capital ground to a halt and workers fought for a shorter work week, but were given the New Deal stimulus program and World War II instead.

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