

Why the profit system is spinning into crisis

written by Gary Wilson
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A woman who tested positive with the coronavirus is brought to the University of Nebraska Medical Center, Friday March 6, 2020. She was transferred from Omaha's

Methodist Hospital in an isolation pod inside an ambulance.

Wall Street has been on an unprecedented roller coaster ride, with big swings in both directions every day for more than a week, a volatility [not seen since November 1929](#). The stock market had the largest one-day point drop in history on March 16, 2020, nearly a 13 percent drop.

The fall hits not just the big investors — big banks, corporations and hedge funds — it also hits 401(k) retirement plans and savings tied to the market.

Businesses have started laying off workers or cutting work hours. “Some 18 percent of adults reported that they had been laid off or that their work hours had been cut,” the Los Angeles Times reported on March 17.

Oil prices plummeted to nearly \$20 per barrel on March 18, down from about \$60 only three months ago.

The Covid-19 pandemic is being blamed. Thousands of people have lost their lives and hundreds of thousands have been infected.

But the pandemic is an event that revealed the crisis in the capitalist system — it didn’t cause the crisis. From the point of view of the economy, the virus exposed the underlying economic instability.

The stimulus packages being offered up almost daily by President Donald Trump and Congress as well as the Federal Reserve Bank are meant to keep the economy afloat. But the effects of these measures will be limited without a public health response that could contain the virus.

Large parts of the service sector — restaurants, bars, movie theaters — as well as hotels and airlines — are all severely hit as people stay away from places of public gatherings and stop travel. Normal life is grinding to a halt, with schools and places

of worship closing, concerts and conferences being canceled and sports leagues suspending their seasons.

The so-called casual workforce, service workers and the gig workforce have been hit especially hard, with no paid time off, no health care coverage, no guarantee of a job, food or housing.

The coronavirus pandemic's economic devastation will continue until the coronavirus is contained. But containment has been slow to nonexistent in the U.S. after decades of cuts to the health care systems. In May 2018, then-National Security Adviser John Bolton [fired the entire U.S. Pandemic Response Team](#) and at the same time President Trump cut funding for the Centers for Disease Control's global disease outbreak prevention efforts._

In fact, the coronavirus crisis in Europe and the U.S. [is now worse than at the worst period in China](#). Indeed, the failure of the capitalist countries to contain the virus has produced a disaster. In proportion to the population, the speed of spread of the virus in Europe is now faster than at any period in China. The number of new daily cases in Germany was three times as high as the peak in China, in France five times as high, in Spain 12 times as high and in Italy 21 times as high.

The true rate in the U.S. is unknown as testing is still mostly unavailable or limited. Yet testing is the only way to start the measures needed to control the spread of the virus.

Trump reportedly had testing [limited as much as possible](#) "because more testing might have led to more cases being discovered of coronavirus outbreak, and the president had made clear — the lower the numbers on coronavirus, the better for the president, the better for his potential re-election this fall."

No economic crisis in China

In terms of the global situation, sharp declines in the number of new coronavirus cases in China confirm that the coronavirus outbreak there, while not over, has been brought under control. Therefore, production and supply chains both in China, and from China to the global economy, will begin to improve.

The virus first hit China very hard in December. China responded with a social mobilization of the people, as in a war, to fight the virus. Now Covid-19 has largely been contained in China itself, thanks to the mobilization that was made possible by China's socialist base.

It's instructive to look at a timeline of China's response (drawn up by [journalist Godfree Roberts](#)):

November 2002: After its experience with the SARS outbreak in Guangdong Province in 2002, China implemented a rapid response protocol for infectious diseases. The protocol empowered the Health Ministry to assemble professional and managerial help from across the country; established an emergency response coordinating team; prepared funding and authorization for supplies, equipment and emergency health care facilities, anticipating that existing hospitals would be overwhelmed.

July-December 2019: Chinese researchers informed China's Health Ministry of a novel Coronavirus outbreak, triggering a readiness alert nationwide. The World Health Organization (WHO) describes what happened next: "In the face of a previously unknown virus, China has rolled out perhaps the most ambitious, agile and aggressive disease containment effort in history. ... China's bold approach to contain the rapid spread of this new respiratory pathogen has changed the course of a rapidly escalating and deadly epidemic."

Dec. 26, 2019: Jixian Zhang detects four anomalous pneumonia infections in Wuhan and reports them to the provincial CDC the next day. The provincial authorities

immediately inform the national CDC, which prepares to implement the pandemic response protocols.

Dec. 30, 2019: China's national CDC notifies the WHO, which reports Zhang's discovery to the world.

Dec. 31, 2019: WHO reports Zhang's discovery to the world.

Jan. 7, 2020: China identifies the virus as 2019-nCov and confirms it five days later. President Xi tells officials that the country is on "a war footing."

Jan. 13, 2020: China makes the first 2019-nCov test kits available.

Jan. 25, 2020: Construction begins on a 1,000 bed intensive care hospital in Wuhan.

Jan. 26, 2020: China extends the New Year holiday to contain the outbreak.

Feb. 5, 2020: First patients moved into a new 1,000 bed intensive care hospital.

March 4, 2020: February rail freight loadings resume, rising 4.5 percent.

March 5, 2020: Shipments to foreign customers upgraded; government subsidizes upgrades from sea to rail delivery and from rail to air delivery.

March 10, 2020: Government organizes and subsidizes bus, rail and air transport for 200 million migrant workers to return to urban jobs.

March 16, 2020: Ninety percent of businesses expected to resume full operations. All Apple stores open.

No layoffs. No evictions. Yes, the economy slowed down, as it must when production is shut down, but there was no crisis involving loss of jobs, of homes, of food.

Yet in the U.S., already 1 in 5 have been laid off. Many, many workers may lose their

jobs — perhaps millions — all supposedly because of the coronavirus. But if that didn't happen in China, then we have to look at other factors that are pulling down the economy.

Capitalist crises of overproduction

In the period before the present Wall Street crash, the U.S. economy was stagnating, economic growth had come to a virtual halt, and the appearance of global overproduction of vital commodities stood out. In particular, were the reports since 2018 of an oversupply of oil, with barrel prices sliding downward.

After World War II, the U.S. was the world center of industrial production and the top economy based on that. Today, industrial production has moved to China, India, Bangladesh and Vietnam. Imperialist capitalism continues to extract profits from the rapidly expanding industrial working class of the Asian countries, the lion's share of which goes into the pockets of the capitalists of the U.S.

Meanwhile the U.S. has become an economy based on services and "information," that is, computer software and operations. The U.S. economy has gone through a steady de-industrialization over the last few decades.

The response has been an attempt to make the U.S. the world's leading carbon-based energy producer through the development of North America's vast reserves of fossil fuel. In effect, the old U.S. industrial monopoly would be replaced by a new energy monopoly based on carbon-based fuel extracted through shale-rock fracking.

The U.S. and its Canadian satellite have become the chief suppliers of fossil fuel — oil, coal and natural gas — in the world. That has been the basis for the economic rise since the 2008 Great Recession.

An article titled "U.S. Is Overtaking Russia as Largest Oil-and-Gas Producer" in the Oct. 3, 2013, Wall Street Journal reported: "U.S. energy output has been surging in

recent years, a comeback fueled by shale-rock formations of oil and natural gas that was unimaginable a decade ago. A Wall Street Journal analysis of global data shows that the U.S. is on track to pass Russia as the world's largest producer of oil and gas combined this year — if it hasn't already."

The U.S. produced [18 percent of the world's oil](#) last year, compared with Saudi Arabia's 12 percent, Russia's 11 percent and Canada's 5 percent._

As far as natural gas alone is concerned, the U.S. and Russia are the dominant producers, with Russia's flow of natural gas to Europe going through Ukraine. A cutoff in Ukraine would force Europe to depend on oil or U.S.-produced natural gas transported in liquid form by ship. Is there any wonder Trump and Biden are contending in Ukraine?

As the U.S. and Canada developed their profitable fossil fuel industry, whether natural gas or shale oil, the U.S. economy has become increasingly dependent on selling carbon-based energy products. Is that not the reason the president of the U.S. is a climate change denier or that near-military force has been brought down on opponents to pipelines across Native lands in the U.S. and Canada?

The U.S. oil and gas production is done by the expensive and environmentally horrendous method of extraction known as fracking. The price of oil has to be kept pretty high to make fracking profitable.

Now oil has been hit by a crisis of overproduction and the oil industry is on the verge of collapsing.

The overproduction crisis has plagued Big Oil since at least 2018 and is not related to the drop in demand during the coronavirus epidemic. Oil prices have been falling steadily since a high of about \$75 a barrel in 2018. Three months ago, it was \$60 a barrel. Today, it is near \$20 a barrel. This is well below what it costs to produce oil

from fracking. Shale oil can't produce a profit when prices drop this low.

This is capitalist overproduction. More is being produced than can be sold for a profit.

The continuing fall of the stock market reflects the general instability in the capitalist mode of production for profit. The economy was already slowing, contracting in a cyclical capitalist crisis. Capitalists call it a profit crisis as the produced commodities cannot be sold at profit. That's the crisis that triggers a major economic downturn, a full-on recession or even a depression.

