

No, the Corona Virus is not the Main Cause of Global Economic Slump!

Bourgeois Media Officially Recognize the Beginning of another Great Recession

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Panic is on the march. Another Great Recession has arrived. The U.S. Stock Market shed 1,190.95 points on 27 February, its largest one-day point drop in history. In barely more than a week, the Standard & Poor's 500 stock index plunged 12.8%— the dizziest such fall since the 2008 financial crisis. ¹ According to Bloomberg, U.S. markets experienced “*their worst week since the financial crisis more than a decade ago ... wiping out almost US\$3 trillion in value from American equities.*” ² The same development has taken place at major exchanges in Shanghai, Tokyo, Seoul, Frankfurt, Paris and London. Reuters reports that global markets lost about \$5 trillion last week. ³

This stock market crash reflects the collapse of capitalist production. China's manufacturing activity index fell to an all-time low of 35.7 in February from 50 in January. ⁴ China's non-manufacturing PMI – a gauge of sentiment in the services and construction sectors – also dropped, to 29.6 from 54.1 in January. This was also the lowest on record, according to the *South China Morning Post*. ⁵

However, the decline in production is not confined to China – the world largest capitalist economy except the U.S. Other major capitalist countries affected by this development are Japan, Germany, France, Italy, Taiwan, South Korea and Australia. Global trade contracted too. According to the latest report of J.P.Morgan, “*global manufacturing sector suffered its steepest contraction since 2009 as demand, international trade and supply chains were severely disrupted by the COVID-19 outbreak. Output fell across the consumer, intermediate and investment goods industries, with the steepest drop at investment goods producers. The J.P.Morgan Global Manufacturing PMI (...) fell to 47.2 in February, down from 50.4 in January and to its lowest level since May 2009.*” ⁶ This implies, according to analyst Olya Borichevska, a contraction in global industrial production of around a 5%.

¹ Joe McDonald: Global stocks fall on virus fears after Wall Street plunge, 28.2.2020, <https://apnews.com/a9b5b776acbb8f683af86a89cdc789cc>; Stan Choe and Christopher Rugaber: Markets want Fed to save them. Why its tools might not work, 1.3.2020 <https://apnews.com/dfc67d37b7e315669dfb3a9910a9fe54>

² Bloomberg: Coronavirus fears send US stocks tumbling in worst week since financial crisis, 29 Feb, 2020 <https://www.scmp.com/news/world/united-states-canada/article/3052970/dow-falls-nearly-1000-points-coronavirus-pummels-us>

³ Stephanie Nebehay and Ryan Woo: Global downturn looms as countries struggle to contain coronavirus outbreak, February 28, 2020 / <https://www.reuters.com/article/us-china-health/global-downturn-looms-as-countries-struggle-to-contain-coronavirus-outbreak-idUSKCN20M069>

⁴ David Brown: Coronavirus threat should push global superpowers to ditch austerity and ramp up fiscal stimulus, 2 March 2020, *South China Morning Post*, <https://www.scmp.com/comment/opinion/article/3064548/coronavirus-threat-should-push-global-superpowers-ditch-austerity>

⁵ Andrew Mullen and Orange Wang: Coronavirus: China's factory activity plunges to all-time low, worse than global financial crisis, February data show, *South China Morning Post*, 29 Feb, 2020 <https://www.scmp.com/economy/china-economy/article/3052985/coronavirus-chinas-factories-activity-plunges-all-time-low>

⁶ J.P.Morgan Global Manufacturing PMI™, Global manufacturing suffers steepest contraction in over a decade as COVID-19 outbreak hits supply chains and demand, News Release, 2 March 2020, p.1

Even the OECD, an imperialist institution which has made spreading of official optimism one of its key tasks, is forced to acknowledge the bitter reality. In an emergency interim report published yesterday, it warns “[A]nnual global GDP growth is projected to drop to 2.4% in 2020 as a whole, from an already weak 2.9% in 2019, with growth possibly even being negative in the first quarter of 2020. (...) A longer lasting and more intensive coronavirus outbreak, spreading widely throughout the Asia-Pacific region, Europe and North America, would weaken prospects considerably. In this event, global growth could drop to 1½ per cent in 2020, half the rate projected prior to the virus outbreak.”⁷

Daniel Wagner, a bourgeois analyst, is more outspoken about the prospects of the capitalist world economy: “In short, we could be witnessing the beginning of a global economic depression similar to, or perhaps even worse than, what the world experienced in 1929. Many aspects of the global economy are, of course, very different from almost 100 years ago, but then, as now, the downfall of major economies had a cumulative impact on the global economy.”⁸

In other words, we see a sudden change. Not long ago, most politicians, commentators and journalists in the service of the bourgeoisie, praised the state of the capitalist world economy and only spoke about a “mild softening”. And now, suddenly, the bourgeois media are filled with panic. Suddenly, we can read every day new articles about the great recession of the world economy.

The new Great Recession began already in 2019

So, how do the servile heralds of the bourgeoisie explain the sudden collapse of the world economy? It's simple: they claim that this is all because of the 2019 Corona Virus!

No one should believe such nonsense! Sure, the spreading of the 2019 Corona Virus has caused panic among the capitalist classes and provoked a disruption of global trade (and cross-border interaction in general).⁹ But this epidemic has only *accelerated* a process which has been already in place for at least half a year!

⁷ OECD: Coronavirus: The world economy at risk, OECD Interim Economic Assessment, 2 March 2020, p. 1

⁸ Daniel Wagner: Could a global coronavirus pandemic trigger an economic depression, forcing us to reckon with the downside of globalisation? 28 Feb, 2020 <https://www.scmp.com/comment/opinion/article/3052541/could-global-coronavirus-pandemic-trigger-economic-depression>

⁹ For the RCIT's analysis of the 2019 Corona Virus pandemic and the programmatic alternative see our statement: 2019 Corona Virus: Oppose the Global Wave of Chauvinist Hysteria! Workers and oppressed: Do not trust the ruling class and its media! 5.2.2020, <https://www.thecommunists.net/worldwide/global/2019-corona-virus-oppose-the-global-wave-of-chauvinist-hysteria/>; 2019 Corona Virus: No to the Anti-Chinese Chauvinism in South Korea! Joint Statement of the Revolutionary Communists (RCIT Section in South Korea) and the International Bureau of the RCIT, 6.2.2020, <https://www.thecommunists.net/worldwide/global/2019-corona-virus-no-to-the-anti-chinese-chauvinism-in-south-korea/>; Almedina Gunić: The chauvinist campaign behind the “Wuhan Coronavirus” hysteria & the revolutionary answer, 2.2.2020, <https://www.thecommunists.net/worldwide/global/wuhan-virus/>; Almedina Gunic: 2019-nCoV and the Virus of Chauvinism. A comparison with measles and the reactionary Anti-Vaxx campaigners, 6.2.2020, <https://www.thecommunists.net/worldwide/global/2019-ncov-and-the-virus-of-chauvinism/>; Michael Pröbsting: 2019 Corona Virus: The Hypocrisy of Anti-Chinese Chauvinism in the West. A few facts about the rate of mortality of the COVID-19 pandemic in comparison with Influenza, 14 February 2020, <https://www.thecommunists.net/worldwide/global/2019-corona-virus-the-hypocrisy-of-anti-chinese-chauvinism-in-the-west/>

As the RCIT has demonstrated in several documents in the past few months, the Great Recession started already last year – before anyone knew about the 2019 Corona Virus! ¹⁰ Global industrial production grew in the 1st quarter of 2019 only by +0.1%, stagnated in the 2nd quarter with 0.0% and shrunk in the 3rd quarter by -0.1%. (See Table 1) Likewise did industrial production in the U.S. decline by -1% between the end of 2018 and the end of 2019. (See Table 2) International merchandise trade of the largest capitalist economies – the so-called G20 – also declined throughout most of the year 2019 (See Table 3)

Table 1. Global Industrial Production and Merchandise Trade, 2019 (in Volume, Quarter on Quarter) ¹¹

	Q1 2019	Q2 2019	Q3 2019
World Industrial Production	0.1	0.0	-0.1
World Merchandise Trade	-0.3	-0.7	0.6

Table 2. Industrial Production in the U.S., 2019 ¹²

Q2	Q3	Q4	July	Aug	Sept	Oct	Nov	Dec	Dec. 2018
(Annual Rate)			(Monthly Rate)						to Dec. 2019
-2.3%	1.2%	-0.5%	-0.2%	0.8%	-0.5%	-0.5%	0.8%	-0.3%	-1.0%

Table 3. G20 Total International Merchandise Trade, 2019 ¹³

	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Exports:	+0.2%	-1.6%	-0.6%	-0.1%
Imports:	-1.2%	-0.9%	-0.5%	-1.3%

¹⁰ See on this the chapter “Another Great Recession has begun” in RCIT: World Perspectives 2020: A Pre-Revolutionary Global Situation. Theses on the World Situation, the Perspectives for Class Struggle and the Tasks of Revolutionaries, 8 February 2020, <https://www.thecommunists.net/theory/world-perspectives-2020/>; Michael Pröbsting: Another Great Recession of the Capitalist World Economy Has Begun. The economic crisis is an important factor in the current dramatic shift in the world situation, 19 October 2019, <https://www.thecommunists.net/worldwide/global/another-great-recession-of-the-capitalist-world-economy-has-begun/>; see also Michael Pröbsting: The Next Looming Great Recession. Observations on the Latest Stock Market Slump and the Structural Crisis of the Capitalist World Economy, 12 October 2018, <https://www.thecommunists.net/theory/the-next-looming-great-recession/>

¹¹ CPB Netherlands Bureau for Economic Policy Analysis: CPB World Trade Monitor November 2019, 24.1.2020, p. 3 and 5

¹² FRB: Industrial Production and Capacity Utilization, FEDERAL RESERVE statistical release, 17.01.2020, p. 7

¹³ OCD: G20 international merchandise trade continued to contract in fourth quarter of 2019, News Release, 27 February 2020, p. 3

In short, the capitalist world economy already entered another Great Recession in 2019 – long before the 2019 Corona Virus epidemic (COVID-19) emerged. This is why more clear-sighted bourgeois economists like James Sweeney, chief economist at Credit Suisse, conceded that “*global manufacturing and trade have been in a slump since late 2018.*”¹⁴ Likewise J.P.Morgan admitted two months ago, i.e. before the COVID-19 crisis started, that in 2019 “*there was an earnings recession in the US, Europe and Japan.*”¹⁵

Creating confusion

In other words, what we currently see is a *deliberate exploitation* of the COVID-19 crisis by the bourgeois propagandists in order to confuse people about the real causes of the collapse of the capitalist world economy. They try to present the crisis of their economic system as something caused by a “supernatural event” for which the capitalists bear no responsibility.

This is why revolutionary activists have the urgent task to explain to the vanguard of the workers and oppressed the real background of the capitalist crisis. They need to explain that the COVID-19 crisis only aggravated the already existing recession. This recession has been caused by the fundamental contradictions of the capitalist system with the tendency of the profit rate to fall at its core.¹⁶

Furthermore, as the RCIT has explained in various documents on the COVID-19 crisis, the cut in global trade and transport was neither a necessary nor a useful reaction to the epidemic. It was rather a political tool to wipe up protectionism and chauvinism in order to manipulate the popular masses and to direct their anger and fear against “foreigners”.

¹⁴ Shrutee Sarkar, Hari Kishan: Global economy snapback to prove elusive despite market joy: Reuters polls, January 24, 2020 / <https://www.reuters.com/article/us-global-economy-poll/global-economy-snapback-to-prove-elusive-despite-market-joy-reuters-polls-idUSKBN1ZN00H>

¹⁵ Mary Callahan Erdoes: Eye on the Market Outlook 2020, J.P. Morgan, p. 1

¹⁶ As widely known, Marx elaborated the law of tendency of the profit rate to fall in *Capital Vol. III*. It basically means that, in the long run, the share of surplus value becomes smaller relative to all of the capital invested in production (in machinery, raw materials, etc., as well as wages paid to workers). Therefore, the surplus value which can potentially be used for the reproduction of capital on an extended level becomes less and less. This inevitably leads to disruptions and crises and a historic tendency of decline as it becomes less and less profitable for the capitalists to invest in the expansion of production. Naturally, over-accumulation of capital, over-production of commodities, and the tendency of the rate of profit to fall is not a linear process, but its tempo and dynamics are influenced by various counter-veiling tendencies – most importantly by the relation of forces between the classes, i.e., the political class struggle. However, while such factors can for some time slow down or temporarily halt the fall of the rate of profit (as happened in the 1990s, for example, as a result of the coalescing neoliberal offensive, advance of imperialist globalization, and the collapse of the Stalinist workers’ states), they cannot stop – or even reverse – the decline for in the long run. For more on this see e.g. chapter I (“*The Historic Crisis of Capitalism*”) in Michael Pröbsting’s book: *Anti-Imperialism in the Age of Great Power Rivalry. The Factors behind the Accelerating Rivalry between the U.S., China, Russia, EU and Japan. A Critique of the Left’s Analysis and an Outline of the Marxist Perspective*, RCIT Books, January 2019, <https://www.thecommunists.net/theory/anti-imperialism-in-the-age-of-great-power-rivalry/>. See also Richard Brenner, Michael Pröbsting, Keith Spencer: *The Credit Crunch – A Marxist Analysis*, London 2008

Some conclusions

We conclude by pointing out that it is a crucial task of Marxists to elaborate a scientific analysis of the capitalist world economy in order to combat attempts of the bourgeoisie to confuse the real causes of their crisis.

Secondly, the current economic, ecological and political catastrophes confirm once more the RCIT's characterization of the historic period opening in 2008 as a "*revolutionary period*" which is hallmarked by a "*decay of humanity's productive forces*". The crisis of this system has to be understood as a comprehensive decline of capitalist civilization.¹⁷

Finally, the course of the current recession demonstrates once more the Marxist thesis that China has become a major imperialist Great Power.¹⁸ There is an old saying which goes, "*When America sneezes, the whole world catches cold*". Today, as the U.S. imperialism experiences a historic decline as the imperialist hegemon and China rises as its most important challenger, one could equally say: "*When China sneezes, the whole world catches cold*".¹⁹ According to the latest edition of the UNIDO' *Industrial Development Report*, China' share in global manufacturing production rose from 3 percent in 1990 to 25 percent in 2018.²⁰ This massive rise of China is also reflected in its first respective second place in other key areas like the global trade, capital stock, the world's top corporations, billionaires, etc. In short, what happens in China has massive consequences for the whole capitalist world economy.

As we have emphasized repeatedly, it is impossible to understand the character of the present tensions between the Great Powers without the appreciating the class character of the parties involved. More specifically, the precondition for a correct understanding is recognition of the imperialist nature, not only of the old imperialist powers – the U.S., Western Europe and Japan – but also of the emerging imperialist powers, China and Russia.

The new Great Recession goes hand in hand with profound social crisis (e.g. COVID-19) as well political shifts. In such periods, it is inevitable that we see an increasing number of revolutionary as well as counter-revolutionary developments. Authentic socialists must prepare for such developments

¹⁷ See on this e.g. chapter II in RCIT: World Perspectives 2016: Advancing Counterrevolution and Acceleration of Class Contradictions Mark the Opening of a New Political Phase, 23 January 2016, <https://www.thecommunists.net/theory/world-perspectives-2016/>

¹⁸ On the RCIT's analysis of China's rise as an emerging imperialist power see the literature mentioned in the special sub-section on our website: <https://www.thecommunists.net/theory/china-russia-as-imperialist-powers/>. In particular we refer to the following documents by Michael Pröbsting: The China-India Conflict: Its Causes and Consequences. What are the background and the nature of the tensions between China and India in the Sikkim border region? What should be the tactical conclusions for Socialists and Activists of the Liberation Movements? 18 August 2017, Revolutionary Communism No. 71, <https://www.thecommunists.net/theory/china-india-rivalry/>; The China Question and the Marxist Theory of Imperialism, December 2014, <https://www.thecommunists.net/theory/reply-to-csr-pco-on-china/>; China's transformation into an imperialist power. A study of the economic, political and military aspects of China as a Great Power, in: *Revolutionary Communism* No. 4, <http://www.thecommunists.net/publications/revcom-number-4>.

¹⁹ On the RCIT's analysis of the Great Power rivalry and China's and Russia's rise as emerging imperialist powers see the literature mentioned in the special sub-section on our website: <https://www.thecommunists.net/theory/china-russia-as-imperialist-powers/>. In particular we refer to above mentioned book by Michael Pröbsting: *Anti-Imperialism in the Age of Great Power Rivalry*.

²⁰ United Nations Industrial Development Organization: *Industrial Development Report 2020. Industrializing in the digital age*. Vienna 2019, p. 144

and unite in order to build a Revolutionary World Party based on a program for liberation struggle under the present conditions. The RCIT is dedicating its forces to this big, indeed this historic goal. Join us in this struggle!