

The COVID-19 pandemic and the rise of economic nationalism

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The coronavirus pandemic and its economic consequences have revealed, in the living experience of billions of people the world over, the internal rot and decay of the capitalist system, together with its patent absurdities.

One only need point, by way of example, to the fact that the founder of Amazon, Jeff Bezos, the richest man on the planet, has increased his fortune by \$24 billion since the start of the year to more than \$138 billion, while nurses and health workers in the US and around the world are battling the virus without the necessary protective equipment.

Other examples abound, such as the fact that health authorities and states in the US have been forced to fight against each other in the capitalist “free market” to secure necessary equipment and supplies, or that thousands are queuing at food banks in the US, while dairy farmers pour milk away and agricultural producers plough their crops into the ground.

While exposing such contradictions, covered over in the now bygone era of so-called “normal times,” the pandemic has also revealed those fundamental truths that have long formed the basis of the fight for genuine socialism.

First and foremost, it has made clear that the tiny minority of corporate and financial oligarchs, and the profit system over which they preside, stand as an obstacle to the rational organisation and scientific planning of the economy and society necessary to deal with the threat to human life. This is an obstacle that must be removed.

However, it would be a mistake to see this immense social problem as applying only to the extraordinary state of affairs produced by the pandemic. It has a far broader reach.

The proponents of a return to work, irrespective of the health dangers posed to workers, maintain that a continued lockdown means more economic stress and worsening poverty, as well as health and psychological problems. Such problems, however, could be rapidly resolved through the expropriation of the vast fortunes of the Bezos of the world, to provide a living income to all, while dealing with the health crisis.

As the *World Socialist Web Site* perspective of Saturday 18 April explained, if the wealth of the 250 billionaires in the United States, with a collective net worth of close to \$9 trillion, were expropriated and distributed evenly among the 100 million poorest households, it would provide each one with a monthly income of \$5,000 for 18 months.

Moreover, the problems described by the return-to-work advocates as a product of the lockdown, are actually those of daily life, created by the “normal” operations of the capitalist system. And they will be massively intensified in the wake of the pandemic as the ruling classes seek to pump value, extracted from the working class, into the mountain of fictitious capital created as a result of the bailout of the corporations and the financial system.

Every day workers have their health impaired by the relentless worsening of conditions. Every day they work under the threat they could be thrown out of work and reduced to poverty, as the result of some

“restructuring” operation.

Every day they face the prospect that, as a result of gyrations in the global financial system and the actions of speculators, they could be thrown onto the scrapheap, have their pension, superannuation, or 401(k) plans slashed, their mortgage repayments increased and so on—changes that can devastate their lives in the blink of an eye.

In other words, the madness made manifest by the pandemic is only a particularly egregious expression of the daily functioning of a malignant social and economic order.

Just as the pandemic has laid bare the absurdities, irrationalities and destructive consequences of the profit system, so it has revealed the reactionary character of the political structures on which the accumulation of private profit is based—i.e., the nation-state system.

By its very nature, the pandemic has revealed, both from a health and an economic standpoint, the necessity of international collaboration and co-operation.

There is no national solution to the health dangers posed by the virus—it requires a planned global response. An individual nation may bring the virus under control within its confines, but then be confronted with the danger of a “second wave” of infections, due to its continued spread in other parts of the world. The virus does not have a passport, nor does it recognise immigration and border controls.

This pandemic has delivered a major shock to the world. But it has been a trigger event for the crisis, the conditions for which had been developing over a considerable period. It is no more the underlying cause of the present crisis than was the assassination of Austrian Archduke Franz Ferdinand, which triggered the outbreak of World War I, the fundamental reason for the conflict.

The pandemic has not only triggered the crisis. It has been the accelerant for processes already well advanced before it arrived on the scene. One of these is the growth of national divisions and conflicts.

Long before the denunciations of China, now pouring forth from the Trump administration and its allies around the world over the virus outbreak, the US intelligence and military apparatus, backed by the political establishment—Democrat and Republican—together with powerful sections of the mass media, had designated China as a threat to the “national security” of the US.

In the strategic planning documents of the US military machine, the “war on terror” was replaced by an insistence that it was now necessary to prepare for an era of “great power competition,” in which China was designated the chief danger to US economic and military hegemony.

Trade war had been launched through the imposition of tariffs and China’s plan for economic and technological development had been declared an existential threat to US national security, accompanied by a series of bans on Chinese telecom companies and the launching of a global campaign by the US to have its allies exclude the Chinese company, Huawei, from the development of 5G networks.

While the US, at least to this point, is the main proponent of economic nationalism, under the “America First” doctrine of the Trump

administration, the same tendencies are reflected everywhere.

The European Union is riven with divisions and conflicts, the most prominent of which has been Brexit. The EU is split over an economic response to the pandemic, with Germany striving to maintain its dominance over the bloc, as leading figures in the political establishment insist it must play a greater role in global affairs.

As a result of the pandemic, voices are being raised that the disruption of global supply chains, caused by the spread of the virus, along with lockdowns, have revealed problems in economic globalisation, meaning that each country must look to the protection of its “own” economy.

US Commerce Secretary Wilbur Ross set the tone back in January, when he declared that supply chain disruptions in China, resulting from the virus outbreak, would encourage US firms to shift their operations back to American soil.

The Japanese government of Shinzo Abe has set aside \$2.2 billion from its economic stimulus package to assist manufacturers to shift production out of China.

A *New York Times* article by Neil Irwin on April 16, entitled “It’s the end of the world economy as we know it,” cited remarks by Elizabeth Economy, a senior fellow at the Council on Foreign Relations, who said there was a “rethink” underway over how much each country wanted to be reliant on another.

While this was not the end of globalisation, she raised, the pandemic had accelerated thinking in the Trump administration that there are “critical technologies, critical resources, reserve manufacturing capacity that we want here in the US in case of crisis.”

The article noted that France’s finance minister has directed French companies to re-evaluate their supply chains, to become less dependent on China and other Asian nations.

In the US, where anti-China outbursts are escalating daily, the South Carolina Republican Senator Lindsey Graham has even suggested the US should punish China over COVID-19 by cancelling its holdings of US Treasury bonds.

A gauge of the speed of these processes can be obtained by contrasting the situation that now prevails with what occurred in the wake of the global financial crisis of 2008.

In April 2009, leaders of the G20 met in London to commit themselves to a co-ordinated response, vowing that never again would they go down the road of the protectionist measures that had played such a disastrous role in the Great Depression, helping to create the conditions for World War II.

For a time, the commitment to “resist protectionism” was a regular feature of statements by all international economic bodies, such as the G20 and G7. Now even the phrase has disappeared, under conditions where all the institutions established in the post-war period to regulate the post-war affairs of global capitalism—the World Trade Organisation, the G7, the International Monetary Fund, the World Health Organisation—are torn by conflicts or in an advanced state of decay.

The significance of these developments can only be understood within their broader historical context.

In the 19th century, the development of capitalism and the productive forces of mankind were aided by the formation of national states, such as the unification of Germany in 1871, the establishment of the Italian nation-state and the American civil war, which laid the political foundations for the development of the United States as an economic powerhouse.

But the advance of the productive forces did not stop at national borders. It spread globally in the last quarter of the 19th century and the opening decade of the 20th. This vast economic development, however, brought to the surface a central contradiction in the global capitalist system—one that has bedevilled it ever since—between the development of a global economy and the division of the world into rival nation-states and

great powers.

This conflict exploded in the form of World War I, as each capitalist government sought to resolve it, as Leon Trotsky noted, “not through the intelligent, organised co-operation of all of humanity’s producers, but through the exploitation of the world’s economic system by the capitalist class of the victorious country.”

The Russian Revolution of October 1917—the overthrow of capitalism by the working class—pointed to the only way out. It was conceived and fought for by Lenin and the leadership of the Bolshevik Party as the opening shot of the world socialist revolution, that is, the taking of political power by the international working class, as the pre-condition for the reconstruction of the global economy on socialist foundations—the necessary next stage in the historical development of mankind.

The war resolved nothing. Economic nationalism intensified over the succeeding two decades, leading to the outbreak of an even more devastating world war in 1939.

In the last days of World War II and its immediate aftermath, the leaders of world imperialism recognised that a new international economic order and monetary system had to be constructed, because any return to the conditions of the 1930s would bring socialist revolution, including in the US.

There was an attempt to overcome the contradiction between the development of a global economy and the division of the world into rival nation-states and great powers, through the development of a new world trading and monetary system based on the economic might of the major imperialist power, the United States. This was the foundation of the Bretton Woods monetary system established in 1944, in which the US dollar, backed by gold, became the preeminent international currency.

But this system failed to provide a lasting solution. It only temporarily, in historical terms, ameliorated it. The essential contradiction re-emerged, because the very economic expansion it had produced undermined the foundation on which it was based—the economic superiority of the US over its rivals.

The beginning of the end of that dominance announced its arrival with the decision by US President Nixon, on August 15, 1971, to remove the gold backing from the US dollar. The relative weakening of the US vis-à-vis its economic rivals meant it could no longer maintain the system it had created.

The historic economic decline of the US has continued apace in the period since. From the economic powerhouse of world capitalism, it has become the centre of capitalist rot and decay, manifested, above all, in the process of financialisation—the complete divorce of wealth accumulation from the underlying process of production—and the making of profit, not through industrial development, as once took place, but by means of parasitism and speculation.

That rot erupted to the surface in the 2008 financial crisis and has now exploded in even more grotesque forms in the wake of the pandemic—exemplified in the present rise of the stock market as tens of thousands die.

However, US imperialism has no intention of fading from the scene. Rather, confronted by rivals on every front—China, Germany, the European Union and Japan—and seeing enemies everywhere, it is determined to maintain its position by all means necessary, including war.

The source of the great problems confronting humanity is not economic globalisation and the integration of economic and social life on a world scale.

Globalisation of production, in and of itself, represents an important advance. It raises the productivity of labour—the material foundation for all economic advancement—to new levels. Furthermore, the vast and complex systems of planning and communication, by which transnational corporations carry out their economic activities, lay the material foundation for a higher form of society, a planned international socialist

economy, consciously controlled and democratically regulated by the world's producers—the international working class.

In 1934, as war clouds were once again gathering, Trotsky warned that the call by fascist and nationalist regimes for a return to the “national hearth” had profound significance.

While the prospect of harmonious national economic development on the basis of capitalist property was a complete fiction, it had a menacing political reality. It signified the drive by the major powers to gather together all the economic resources of the nation in preparation for war. That war erupted just five years later, with even more devastating consequences than the first imperialist conflagration.

Today, the promotion of economic nationalism—now being accelerated as a result of the pandemic—has the same reactionary content.

The problems confronting mankind do not arise from economic globalisation as such, but are rooted in the deepening contradiction between this progressive development and the reactionary social and political order, based on private profit and the division of the world into rival nation-states and great powers, within which it is encased.

The productive forces, created by the labour of the international working class, must therefore be liberated from these reactionary fetters. That path was charted in the opening shot of the world socialist revolution in October 1917. It is the path to which the international working class must now return, as the only way forward out of the present crisis.

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