

3.4 Trillion Reasons

An ILO study shows the consequences of the COVID-19 crisis for the international working class and popular masses. How does this relate to the global rise of state repression?

by Michael Pröbsting, International Secretary of the Revolutionary Communist International Tendency (RCIT), 25 March 2020, www.thecommunists.net

As everyone knows the capitalist world economy currently faces its worst slump since 1929. While exact predictions about the scale of the crisis are difficult to make – with currently 2.2 billion people under lockdown – there can be no doubt that the economic consequences will be devastating.

Unsurprisingly the bourgeois politicians and business leaders claim that this gigantic slump is because of the Corona Virus. Surely, the widespread draconic lockdown measures have worsened its economic impact. However, as we demonstrated in past documents, there is no doubt that this Great Recession already started before the lockdowns, in fact it already started last year when nobody had heard about the Corona Virus. As we elaborated in an analysis of the world economy published in October 2019, the recession has been caused not by a virus but by the inherent contradictions of the capitalist profit system.¹

In fact, as the RCIT has pointed out repeatedly, it was the Great Recession which came first and this catastrophic crisis of capitalism spurred the ruling classes to look for a pretext to deflect attention from its real causes. They utilize the COVID-19 crisis to spread fear and panic, to lockdown the working class and popular masses and to suppress their rights to demonstrate and to assembly. Hence, the capitalists use this crisis in order to paralyze the resistance of the masses to launch a preemptive strike against them.²

At this point, we do not intend to repeat our economic analysis or our assessment of the COVID-19 crisis. We rather wish to draw attention to a highly interesting study of International Labour Organization (ILO) which is an institution of the United Nations. This study, published a few days ago, attempts to calculate the economic and social consequences of the recession for the workers and poor.³

¹ 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 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: 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/>

² The RCIT has elaborated on this issue in numerous documents which we published since the beginning of the COVID-19 crisis. In particular we refer readers to our Manifesto COVID-19: A Cover for a Major Global Counterrevolutionary Offensive. We are at a turning point in the world situation as the ruling classes provoke a war-like atmosphere in order to legitimize the build-up of chauvinist state-bonapartist regimes, 21 March 2020, <https://www.thecommunists.net/worldwide/global/covid-19-a-cover-for-a-major-global-counterrevolutionary-offensive/>

³ International Labour Organization: COVID-19 and world of work: Impacts and responses, 18 March 2020

Limitations

Before presenting the most interesting conclusions of this study, we want to point out briefly some limitations of this study. First, things are in full motion as the economic collapse is taking place right now. Under such conditions, a prognosis which was made on 2 March might be outdated on 20 March. In fact, we are convinced that the ILO study underestimates the massive economic repercussions of the economic slump for the working class and popular masses.

Secondly, we also believe that the ILO study strongly underestimates the consequences of the current crisis for the Global South. As we will show below, the ILO authors believe that the impact of the crisis will be much more significant in the imperialist countries than in the semi-colonial world. Again, we think this is wrong.

Nevertheless we consider the ILO study as highly interesting as it indicates that even bourgeois economists recognize the dramatic scale of the crisis for the wages and working conditions for the global proletariat and the rural and urban poor.

Let us now move to the presentation of the most interesting conclusions of this study.

Staggering figures

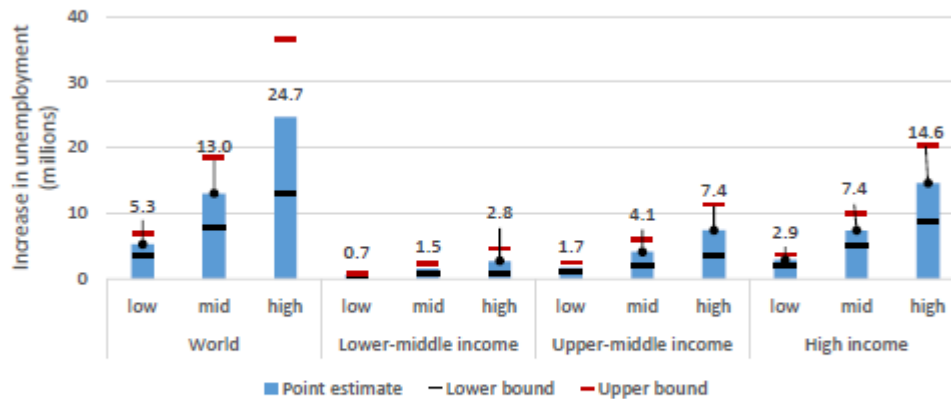
The ILO expect a “significant rise in unemployment and underemployment (...) preliminary ILO estimates indicate a rise in global unemployment of between 5.3 million (“low” scenario) and 24.7 million (“high” scenario) from a base level of 188 million in 2019. The “mid” scenario suggests an increase of 13 million (7.4 million in high-income countries). Though these estimates remain highly uncertain, all figures indicate a substantial rise in global unemployment. For comparison, the global financial crisis of 2008-9 increased unemployment by 22 million.” (p.3)

In other words, the ILO estimates that unemployment could increase by up to nearly 25 million people – more than it was the case during the Great Recession in 2008-09!

Concretely, the ILO expects that the largest number of those new unemployed will be in the so-called “high-income” countries, a bourgeois category which comprises mostly imperialist countries (but excludes the new imperialist power China) As Figure 1 below demonstrates the ILO estimates that these “high-income” countries could experience an increase of unemployment by up to 16.6 million workers.

Figure 1: Impact of declining global growth on unemployment based on three scenarios, world and income groups (millions)

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Note: The figure shows the estimated unemployment impact based on three GDP growth scenarios simulated by McKibbin and Fernando (2020). The error bounds present the range of uncertainty stemming from the unemployment projection model but taking the GDP growth scenario as given.

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At the same time, they calculate that unemployment in the so-called “upper-middle income” countries could increase by up to 7.4 million people. This bourgeois category includes China as well as various advanced industrialized semi-colonies like Brazil, Mexico, Costa Rica, Malaysia, Thailand, Tunisia or Turkey. For the so-called “lower-middle income” countries, the ILO expects an increase of unemployment of “only” up to 2.8 million people. This category includes countries like Angola, Congo, Kenya, Sudan, Nigeria, Bolivia, El Salvador, Honduras, Bangladesh, India, Pakistan, Sri Lanka, Viet Nam, Indonesia, Egypt, or the Ukraine. Interestingly, the ILO does not mention the poorest countries (“low income”) at all!

As noted above, we think that these calculations for the countries of the Global South are much too low. It is evident that the current Great Recession will be at least as devastating as the 1929 crisis was and that it will hit not only the imperialist countries but also, and in particular, the poorer countries. Hence, we expect a much larger increase of unemployment in these countries than the ILO study suggests. As we demonstrated in recent articles, the so-called “high-income” countries are home of only 18% of total global employment.⁴ This means if unemployment increases in similar proportion in the rest of the world as the ILO expect it for the “high-income” countries, the total increase of the number of unemployed will be much more dramatic!

⁴ See on this two articles by Michael Pröbsting: On the Composition of the International Working Class. A new report of the UN’s International Labour Office with interesting figures about social developments between 2000 and 2018, 25 February 2020, <https://www.thecommunists.net/theory/on-the-composition-of-the-international-working-class/>; Once again on the Composition of the International Working Class. Some additional information which confirm the shift away from the old imperialist countries towards the South as well as China, 10 March 2020, <https://www.thecommunists.net/theory/once-again-on-the-composition-of-the-international-working-class/>

The ILO study also calculates the loss of income for the workers and popular masses. Again, they apply their three different scenarios for the severity of the crisis' impact ("low", "mid" and "high").

The authors calculate that the number of the so-called "working poor", i.e. those who live in poverty despite having a job, will dramatically increase in the semi-colonial countries. "Under the mid and high scenarios, there will be between 20.1 million and 35.0 million more people in working poverty than before the pre-COVID-19 estimate for 2020." (p.5)

In terms of income losses, the ILO study arrives at the following assessment. "Overall losses in labour income are expected in the range of between 860 and 3,440 billion USD." (See Table 1) This is a truly staggering figure!

Table 1: Estimated decline in labour income and increase in extreme and moderate working poverty (<US 3.20 per day, PPP), 2020

<i>Income group</i>	<i>Low</i>	<i>Mid</i>	<i>High</i>
Labour income (US\$ billion)	-860	-1,720	-3,440
<i>Extreme and moderate working poverty (millions)</i>			
World	8.8	20.1	35.0
Low income countries	1.2	2.9	5.0
Lower-middle income countries	3.7	8.5	14.8
Upper-middle income countries	3.6	8.3	14.5

Note: Working poverty estimates pertain to an absolute poverty threshold (below US\$3.20 at PPP) for 138 low and middle-income countries. This analysis excludes potential impacts on working poverty in high-income countries.

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Conclusions

We repeat our words of caution that the ILO study certainly underestimates the severity of the dramatic consequences of the current Great Recession for the working class and popular masses. Exactly for this reason it is highly telling that the authors expect an increase of unemployment of up to 25 million people and gigantic losses in labor income of up to 3.4 trillion US-Dollars!

This brings us to a crucial conclusion. If the current crisis has such dramatic consequences, and if we assume that the advisors of the ruling classes are aware of these calculations, is it not evident that the

bourgeoisie takes them into account in their political strategies?! It is exactly because of the devastating consequences of the Great Recession for the working class that the ruling classes must fear political explosions and revolutionary uprisings. Since the ruling classes do not only have their clowns a la Trump, Johnson and Bolsonaro but also intelligent leaders (e.g. Xi, Macron, Merkel, Modi), it is clear that these rulers are seriously considering how they can avoid such revolutionary explosions.

The RCIT has explained in a series of statements and articles since the beginning of the COVID-19 crisis that the ruling classes utilize the panic to advance their political goals. They deflect the attention from the economic slump and paralyze the masses with fear about the Corona Virus. They use the Corona Virus as a pretext to lockdown billions of people and to suppress the right to demonstrate and to assemble. They use this crucial period where people are forced to stay at home in order to build-up *chauvinist state-bonapartist regimes*. The governments all over the world declare a state of emergency, give themselves unprecedented executive powers, send police and army on the streets and expand massive surveillance of the population. In other words, the ruling classes utilize the current crisis to create a new monstrous Leviathan. And at the same time they launch a massive austerity program.

This is why the RCIT has stated repeatedly that the COVID-19 crisis is used as a cover for a *global major counter-revolutionary offensive*. This is why we denounce all those pseudo-leftists who support lockdowns and the suppression of democratic rights as servants of the bourgeoisie. ⁵ In contrast to them we immediately recognized the *political counter-revolutionary nature* of these events. The ILO study demonstrates that the bourgeoisie has 3.4 trillion reasons to fear the explosive anger of the masses and to launch a preemptive strike against them.

We conclude this article by pointing out again that the COVID-19 crisis is a historic turning point in world politics of no less significance than the collapse of Stalinism in 1989-91 or the 9-11 events and the Afghanistan war in 2001. At the moment many workers, poor and youth are confused and lack a clear understanding of the nature of these events. This is hardly surprising as the bourgeoisie around the globe mobilize all their political, ideological and military resources to bombard the masses with their reactionary propaganda. Worse, and significantly adding to the widespread confusion in the consciousness of the masses, the huge majority of the official workers movement and the left capitulate to the pressure of the ruling class and praise their anti-democratic counterrevolutionary offensive as “necessary” and “unavoidable” given the COVID-19 crisis. No doubt, this Leviathan Left is useless at best – more precisely they constitute an obstacle to build an authentic revolutionary alternative.

However, building such an alternative is the most important task right now. The current global counterrevolutionary situation will not last indefinitely. It might be over in a few months time. Under the cover of this bourgeois political offensive, massive social and economic contradictions are accumulating. It is only a question of time that they will explode in domestic political crisis, wars and gigantic class struggles. The task now is to prepare for these events by building a leadership which can aid the vanguard of the working class and the oppressed in its fight against the counter-revolutionary bourgeoisie. In other words, the most urgent task today is the construction of a revolutionary world party. The RCIT calls revolutionaries to join forces in order to advance the building of such a world party!

⁵ See e.g. Michael Pröbsting: COVID-19 and the Lockdown Left: The Example of PODEMOS and Stalinism in Spain, 24 March 2020, <https://www.thecommunists.net/worldwide/global/covid-19-lockdown-left-podemos-and-stalinism-in-spain/>

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The RCIT has published numerous statements and articles on the COVID-19 crisis of which several have been translated into different languages. They are all collected at a special sub-page in our website: <https://www.thecommunists.net/worldwide/global/collection-of-articles-on-the-2019-corona-virus/>

In particular we draw the attention of readers to our new Manifesto:

COVID-19: A Cover for a Major Global Counterrevolutionary Offensive

We are at a turning point in the world situation as the ruling classes provoke a war-like atmosphere in order to legitimize the build-up of chauvinist state-bonapartist regimes

Manifesto of the Revolutionary Communist International Tendency (RCIT), 21 March 2020, <https://www.thecommunists.net/worldwide/global/covid-19-a-cover-for-a-major-global-counterrevolutionary-offensive/>