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The Coronavirus Pandemic and the Guardians of Capitalism

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1. INTRODUCTION

The world has changed significantly during the last few weeks and is likely to change even more in the upcoming months. The coronavirus pandemic not only dominates the news since weeks but affects the everyday lives of billions of people. It is hard to imagine which changes the pandemic will bring upon societies in the long run. Especially the Political Economy aspect of this crisis is worth considering, given the strong political response of some governments to the outbreak of the pandemic. The harsh political measures that are currently implemented in some countries generally follow the intention of not giving up easily on the lives of vulnerable and old people; they reflect the unspoken promise of governments to protect their citizens against life-threatening influences – or at least trying to. And yet, the question is whether we will manage to avoid the large-scale death of weak and poor members of society caused by a – under different circumstances – manageable disease even at the cost of economic collapse¹.

To try and answer this question, the following text will focus on the case of Austria in the pandemic. This focus is motivated by the fact that Austria reacted fast relative to its coronavirus outbreak and implemented harsh political measures, is comparatively well-equipped in intensive care units, and is also early on in lifting the lockdown measures. Hence, it plays a guiding role for Europe. Taking the Austrian case as representative, I will estimate how long it would take to sit out the pandemic, if the current measures are upheld. Based on the conclusion of this estimation that it would need years of economic coma before vulnerable groups are safe via herd-immunity, it is argued that governments' commitment to save capital accumulation will ultimately lead to the abandonment of the idea that the lives of the poor and weak are worth saving collectively.

2. HOW LONG WILL WE MAINTAIN THE ECONOMIC COMA? THE CASE OF AUSTRIA

Austria was relatively quick in implementing strict policies of social distancing and closing borders to stop the spread of coronavirus. Restrictions of freedom of movement were implemented as of March 15th, allowing leaving one's house only in four specific cases: for work activities that can't be delayed or carried out from home, to make urgent purchases of food or medication, to aid other people in urgent need, or to do sports outside. Group-building is forbidden, being in public is allowed only for individuals or with cohabitants. Otherwise, a distance of at least one metre has to be kept. Restaurants, hotels, kindergartens, schools, and universities are closed, only shops for necessities (including banks and post offices) remain open (Cummins, 2020, p. 4). The measures aim at slowing the rate of infection, such that the health care system does not become overburdened and people with severe symptoms can be treated appropriately. This is crucial, since overburdening the health care system results in excessive death rates not only of Covid-19 patients, but of all patients who are in urgent need of intensive care².

For the case of Austria, which ranges third in the European comparison after Germany and Luxembourg regarding the amount of intensive care unit beds (Rhodes et al., 2012, p. 1650), we can estimate for how long the described measures must be upheld to not allow infection rates that overburden the health care system³. Currently, Austria has 2,540 beds with ventilators (Hofmarcher and Singhuber, 2020, p. 2). With the highly optimistic assumption that about 60% of these ICU beds (which roughly equals 1,500 beds) are available to treat severe cases of Covid-19 (Austrian Federal Ministry for Social Affairs, Health, Care and Consumer Protection, 2020b) and an estimated duration of needed ventilation of ten days (Ferguson et al., 2020, p. 5), the Austrian health care system is able to treat 150 new critical Covid-19 patients per day. With a second highly optimistic assumption of a share of 2.7%⁴ of infected people that need intensive care (Hofmarcher and Singhuber, 2020, p. 2; Ferguson et al., 2020), the Austrian health care system is overburdened as soon as more than 5,555 people get infected per day. Certainly, the number of daily infections reported today is far from this value, but with an estimated doubling of infections every five days (Ferguson et al., 2020, p. 4) and a total number of 13,431 confirmed cases today⁵, the reported upper limit of 5,555 daily infections would be reached in less than two weeks if there were no restrictions on freedom of movement.

In the absence of proper medication or vaccination for Covid-19, there is the need to maintain these draconic restrictions until herd-immunity allows for a return to the previous way of economic life⁶. While it is not clear at which level herd-immunity is achieved, there are estimations which indicate that when 60 to 70% of population have built up antibodies, vulnerable groups are sufficiently protected (Lintern, 2020; German Federal Government, 2020). Austria – with a population of 8.8 Million – would therefore need to maintain its current crisis-mode for at least 950 days⁷. In other words: In the very best of all cases⁸, for more than two and a half years, Austria needs to put the economic system on hold and keep its citizens isolated, if the lives of vulnerable people are to be protected.

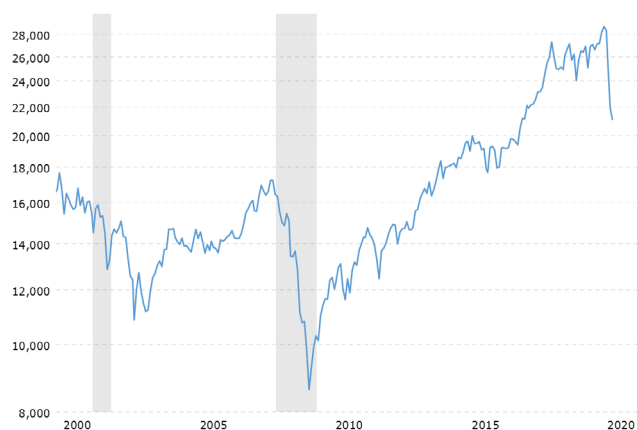
At this point, an important caveat has to be made. The extensive efforts of pharmaceutical companies to develop a vaccine against Covid-19 and to repurpose existing drugs will sooner or later allow for a breakthrough regarding the medical treatment of patients. This significantly shortens the timespan for the required lockdown. However, to some extent these improvements are already taken into account in the above estimation: the optimistically chosen numbers (including the share of patients that need ventilation) partially reflect the expectation of improved drug treatment of patients. Furthermore, leading pharmaceutical companies are only hoping to provide a vaccine for emergency use in approximately one year (La Monica, 2020). So, irrespective of whether we wait for a medical solution or for herd-immunity, the relevant question from a political economy perspective is, whether societies all over the world will manage to uphold the restrictive measures for such a long period of time.

3. THE THREAT OF A FRAGILE FINANCIAL SYSTEM AND THE PRE-MATURE RESURRECTION OF CAPITAL

To understand the difficulty of freezing economic life, it is crucial to see the current state of the economic system. Europe – like other parts of the world – did not manage to completely overcome the last global crisis of 2008, and its economies have relied ever since on the “unconventional” monetary policies of the ECB. The ECB key interest rate was lowered since 2008 and remained at the so-called zero lower bound since 2016 (ECB, 2019). These measures were deemed necessary to provide liquidity to the financial markets and to encourage investment in European economies. Financial markets did indeed benefit internationally, at least in so far as stock market indexes accelerated again from 2010 onwards and are now at

a multiple of pre-crisis peak levels. The Dow Jones Industrial Average for example, reached its historic high in January 2020 (macro trends, 2020), shown in Figure 1 below.

FIGURE 1:
DOW JONES INDUSTRIAL AVERAGE 2000-2020.



Source: macro trends (2020)

This outstanding increase in financial market indexes was accompanied by global debt levels exceeding the 2007 pre-crisis levels, with an unprecedented global debt-to-GDP ratio of 322% in Autumn 2019 and global debt amounting to 253 trillion US-dollars (Institute for International Finance, 2020). This strong indebtedness increases the risk of liquidity and solvency issues and is a feeding ground for deep economic recessions, like the 2008 crash demonstrated (see e.g., Stockhammer, 2012).

Considering this financial and economic fragility and the already immense increase in unemployment and insolvencies together with a historic decrease in stock market indexes (MarketWatch 2020), it becomes clear that the economic costs of maintaining the lockdown are overwhelming. What is more, the fact that the Chinese economy is already recovering constitutes an immense threat in the form of buyouts and takeovers on the one hand, and product competition on the other hand to European and US-American capital. The fiscal stimuli that were recently announced – despite their unprecedented extent (Foran et al., 2020) – will prevent the very worst effects of the economic crisis, but they will not suffice to substitute for the lack of economic activity for the next year to come.

As a result, we must acknowledge the unsettling reality that capital's pressure on bourgeois governments will lead to a pre-mature resurrection of the previous regime of accumulation. In fact, the inability of governments to freeze capital accumulation for even a relative-

ly short period of time becomes obvious when we look at Austria again. Initially, the Austrian government acted very hesitant regarding compulsory telecommuting (orf.at, 2020b), and on March 30th, Chancellor Sebastian Kurz revealed plans to return step by step to a “new normality” (orf.at, 2020a; APA, 2020), which apparently means repealing restrictions on activities that directly contribute to capital accumulation (Laurent, 2020). Similarly, US President Trump was initially reluctant to even extend inter-personal distancing measures beyond Easter holidays (Zurcher, 2020) and now puts an end to public Covid-19 testing support (Alvarez, Zaslav and Diaz, 2020). It is most likely that other countries will follow suit.

With these developments in mind, it becomes clear that the bourgeois governments' promise to not let old and vulnerable people die on large scale of manageable diseases will be broken sooner rather than later due to the even more serious promise to protect capital. A pandemic like the coronavirus must be a global tragedy – but only when it appears in an inhumane economic system such as capitalism with its insatiable thirst for accumulation. It goes without saying that this insight must lead economists to go beyond the mere call for government intervention in times of crisis and to actively fight this regime of accumulation with utmost priority.

- 1 While Covid-19 itself is especially dangerous for older people and people with underlying health conditions, its fast dispersion can lead to the overload of the public health care system, which puts especially poor and weak members of society at risk.
- 2 What happens when the health system cannot keep up with the speed of infections can be clearly seen in Northern Italy, where – despite harshest measures to reduce social contacts – triage is practiced in regular hospitals (Straub, 2020).
- 3 The following estimation can only be seen as a highly approximate indication, since data related to Covid-19 is generally unreliable due to the large estimated number of unreported cases and the different testing practices in different countries. Any numbers will therefore be chosen “optimistically”, i.e. when possible in favour of a fast and easy recovery from the crisis.
- 4 This significantly lower share than the often reported 5% refers to an optimistic scenario according to Hofmarcher and Singhuber (2020, p. 2), where it remains unclear whether it takes into account the likely improvements of drug therapy for Covid-19 patients.
- 5 10th of April 2020, 1 pm. Number of infections reported by the Austrian Ministry of Social Affairs, Health Care and Consumer Protection (Austrian Federal Ministry for Social Affairs, Health, Care and Consumer Protection, 2020a).
- 6 While it is not crucial to follow the argument, it must be said that there is no guarantee that long-term herd-immunity can be achieved, since there is no experience regarding potential mutations of the virus.
- 7 It would take 950 days if infections were indeed 5,555 per day (60% of 8.8 Million divided by 5,555). Given that the rate of infection slows down with increasing immunity of the population, this value can only be seen as a lower benchmark.
- 8 Including the – again – very optimistic assumption that the political measures suffice to keep the daily infections at the reported limit.

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