

<https://internationalviewpoint.org/spip.php?article7159>



Economy

The economic response to the crisis benefits large companies

- IV Online magazine - 2021 - IV556 - May 2021 -

Publication date: Wednesday 26 May 2021

Copyright © International Viewpoint - online socialist magazine - All rights reserved

Éric Toussaint is interviewed by Roberto González Amador from Mexico's main left-wing daily newspaper [La Jornada](#). The spokesperson for the international network Committee for the Abolition of Illegitimate Debts (CADTM) argues for an end to patents. [1].

The seeds of a debt trap whose effects will be seen in the years to come

The first economic response to deal with the crisis evolving from the Covid-19 pandemic, a response that prevailed almost everywhere, was to inject [liquidity](#) into the financial markets and to contract more public debt. This eventually benefits Big Capital, the large shareholders of big corporations and the investment funds that develop speculative activities. And, at the same time, it sows the seeds of a debt trap whose effects will be seen in the years to come, says Eric Toussaint, spokesperson for the international network of the Committee for the Abolition of Illegitimate Debts (CADTM).

“The working classes, already affected by the pandemic, are faced with changes that impact them even more deeply,” says Toussaint, who for several years has been one of the best-known voices in the anti-globalization movements which emerged from the Seattle mobilizations to oppose the practices of the [World Trade Organisation](#) or the World Economic Forum in Davos (1999).

“It is clear that the crisis of 2020 is different from that of 2007-2009, but there is a repetition of policies that basically favour big capital and big business. In this case, it's not only investment funds and private banking. This time we have to add Big Pharma and GAFAM (Google, Amazon, Facebook, Apple, Microsoft),” he told La Jornada.

Postponing the debacle

Toussaint is currently promoting, with hundreds of organizations in various parts of the world, a manifesto for dealing with the current multidimensional crisis, a fundamental component of which is to cancel patents on vaccines and vital medicines.

You say that the pandemic has widened social gaps. What has happened?

– The pandemic cannot be dissociated from a profound and destructive commodification of nature, which is linked to the way capitalism operates on a global scale. Moreover, even before the pandemic, [we were in the midst of an economic crisis, with a financial and stock market bubble, stagnation in the major industrial economies](#) and slowing growth in China. There is a link between the pandemic and the global and worldwide capitalist crisis. It is important to point this out since the rulers and the mainstream media tell us that problems are caused by the virus.

Has the crisis hit the most vulnerable sectors hardest?

The working classes are forced to continue to look for ways of providing for their daily needs, to take public transport to go to work. In the context of the pandemic, this leads to a deterioration of their living conditions, coupled with the loss of income sources since in many cases, especially workers in the informal sector workers do not have access to government benefits, if there are any.

“The level of working class indebtedness, including the lower middle class, has also increased. In several countries, measures have been taken to postpone the payment of debts or suspend the eviction of families who are unable to pay their rent or 1) the most common form where the property that the loan is used to purchase is used as the collateral ;

2) a broader use of property to guarantee any loan : it is sufficient that the borrower possesses and engages the property as collateral.”>mortgage. However, this is temporary and in the future they will have to pay them unless their debts are cancelled.”

Just over a year after the crisis began, what have been the governments’ main economic responses and their consequences?

One: a massive injection of liquidity into the financial system, which means that the stock market crisis that exploded between 13 February and 15 March 2020 has apparently been overcome. The stock market index of most economies is higher today than at the beginning of 2020.

“The first response has been a policy favouring the big capitalists. The latter in most cases use the financial means at their disposal for speculative purposes. They do not invest them in production and job creation, except in Big Pharma, which is very profitable. Governments are repeating the moves they made in 2008: massive intervention by big central banks in favour of big financial and other companies.

“Two: the imposition of lockdown with governments wishing to boost economic activity at the expense of the working classes as they are more exposed to the virus than others. It is clear that in countries such as the US, parts of Europe and China, there is the beginning of an economic recovery, even if it is not yet very strong, and it is not in a position, except in China, to make up quickly for the loss of GDP in 2020 and the first quarter of 2021. US GDP is growing strongly but job creation is currently weaker than the Biden administration had hoped. If another disaster is not on its way, the US GDP will probably be higher at the end of 2021 than at the beginning of 2020, but the number of small businesses going bankrupt, the rate of unemployment, the debt situation of working-class households, etc. all remain rather uncertain.

“Budget deficits and increasing public debts are allowed, but not as the US President Franklin D Roosevelt did in the 1930s, European countries after World War II or Latin American countries with the industrialization by import substitution model between the 1940s and 1960s (see box).

Industrialization by import substitution

This strategy refers mainly to the historical experience of Latin America in the 1930s and 1940s, and to the work of ECLAC (the UN Economic Commission for Latin America) in the 1950s, including the writings of Raúl Prebisch of Argentina (who became the first Secretary-General of the [United Nations Conference on Trade and Development](#) - UNCTAD - in 1964). The starting point was the observation that, faced with a drastic reduction in trade due to the Great Depression of the 1930s and the WWII, the main Latin American countries had been able to respond to domestic demand by replacing imported products with the development of local production. ECLAC’s theorization aimed to extend this process to all sectors of industry by creating a ‘disconnection’ with the centre. Relying on a good dose of protectionism and coordinated state intervention, it aimed to allow nascent industries to flourish. This policy has had important results in terms of the industrialization of Argentina (1940s-1950s) and Mexico (1930s-1950s). [South Korea also applied this policy successfully but under special conditions.](#)

The current policy is not similar to the New Deal that President Franklin D. Roosevelt applied from 1933. No increase

in social rights; no imposition of strong financial discipline on the banks; no tax effort imposed on the richest; no significant increase in wages; no expansion in trade union rights, to point to just a few differences. Under the New Deal, significant social protection was put in place, investment banks were separated from deposit banks, wages were increased. The tax rate on top incomes reached 91% in 1941 and then remained at 80% for several decades.

Today, the economic rescue programme is financed by public debt and no crisis tax has yet been imposed on the rich. We will see in the coming months whether the Biden administration's plan to raise taxes on corporate profits materializes (bearing in mind that Biden's planned increase does not make up for Trump's 2017-2020 tax cut on profits, which is still effective at the time of this interview). We will also see if he (significantly) increases the levies on GAFAM.

"There is no abandonment of the neoliberal orientation in terms of structural reforms that aim to further deregulate the labour market, the capital-labour relationship and social protection systems. A Keynesian policy is not only defined by fiscal management, but also by other measures targeted for the working classes, as Roosevelt did when he was president of the United States under the pressure of major workers' mobilizations, or President Lazaro Cardenas in Mexico in the 1930s."

Do the measures taken by governments in Europe or the United States to increase public budgets, budget deficits and increased liquidity by central banks change the economic structure that existed when the crisis broke out?

It doesn't change the fundamental direction. These are strong measures, but they cannot be interpreted as capitalism reverting to measures that were implemented in the 1930s to 1960s and 1970s. This is not the case. These are temporary measures and at some point the debt will be so much that a brutal return to austerity policies will occur in one or two years. Look at the United States. President Joe Biden's stimulus package, at least in its intention, gives a minor impression of something that might be in the direction of some moderate Keynesianism; but it is not yet fully adopted by Congress. What happens in the US will have an impact on Europe, Mexico and the rest of the world.

Some of the measures taken by governments and central banks to deal with the 2008-2009 financial crisis ended up benefiting the same groups that caused that crisis. What is happening now, except that it is a different kind of crisis?

"Pfizer's Covid vaccine patent will give it a 20-year income. The company says it will have \$25 billion in additional revenue in the short term"

– It is a repetition. Even though it is clear that the crisis of 2020 is different from that of 2007-2009, we are seeing a repetition of policies that fundamentally favour big capital and big business. In this case, it's not just investment funds and private banking. This time we have to add Big Pharma, an industry that has become increasingly powerful, as well as the digital industry. BlackRock, the world's largest investment fund, is a shareholder in all the big pharmaceutical companies, which are favoured by the policies of governments, which instead of suspending patents and launching a programme of public investment and vaccine production, are buying hundreds of millions of doses from private companies, which, moreover, will secure a 20-year income if the patents are not suspended.

"For example, Pfizer's Covid vaccine patent will provide an annuity for 20 years. This company says it will have \$25 billion in additional revenue in the short term. Also, the vaccine will have to be renewed every year. It is a permanent income. We are witnessing something that has to be opposed urgently, because it is an extraordinary change, namely public initiative has been gradually withdrawn from the production of drugs and treatments.

"Structural changes are being imposed on the way we work, the way we teach and the way we get services and commodities. This worsens the situation of the working classes"

"We must add the structural changes that are being imposed: distance working and education, and the increase in online purchasing (via Amazon and other companies). Structural changes are being imposed on the way we work, teach and procure services and commodities. Commodification is accelerating and all of this is worsening the situation of the working classes."

What will happen in the years to come when the debts incurred by governments to deal with the crisis have to be paid off?

Exactly. This is a trap. As the debt has increased enormously, neo-liberal governments and markets will have more instruments or weapons of blackmail to continue implementing structural reforms. We are in a phase of super fast and huge public debt. Beware of what will follow if we don't resist strongly: more austerity and counter-reforms in favour of the private sector. We must be vigilant and ready to resist.

In contrast to other episodes of crisis, the debt is now increasing in both the South and the North.

Greece's debt represents 200% of its gross domestic product, Italy's 150%, Belgium's 120% and France's 115%. In the South, it is increasing, but at levels of 60 or 70% of the countries' GDPs.

"If the central banks in the US, Japan, Europe and Britain change their current policy of near-zero interest rates and start raising them, the cost of debt will skyrocket and all countries will have difficulty financing it." If unbridled speculation in the stock markets, with stock market valuations reaching new highs, leads to a stock market crash, another huge failure of large companies, panic may take hold of the markets. This can lead to a sharp increase in risk premiums on new loans for a number of companies and countries that are financed on the financial markets. Speculation is again strongly affecting the commodity market and this can also lead to new shocks.

Translated by Sushovan Dhar and Christine Pagnouille for [CADTM](#).

PS:

If you like this article or have found it useful, please consider donating towards the work of International Viewpoint. Simply follow this link: [Donate](#) then enter an amount of your choice. One-off donations are very welcome. But regular donations by standing order are also vital to our continuing functioning. See the last paragraph of [this article](#) for our bank account details and take out a standing order. Thanks.

[1] The interview published in Spanish on Sunday 23 May 2021 in Mexico City has been adapted and slightly expanded for other language versions.