

The Vulture Capitalists Are Counting on Us to Do Nothing

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In 1807, Heinrich von Kleist published a short story called *The Earthquake in Chile*. Its heroes are a man sitting in prison and a woman in a convent, each confined for the crime of conceiving their child out of wedlock. All of a sudden, an earthquake hits, the buildings that house them collapse, and the couple rediscover each other in the wreckage. Seeking shelter in the woods, they meet people who know of their sin but welcome rather than judge them. In the flush of the emergency, all is transformed: “Instead of the usual trivial tea-table gossip about the ways of the world, everyone was now telling stories of extraordinary heroic deeds.” Exhilarated, the couple follows the masses to the only remaining cathedral, where to their horror, the preacher rages against their transgressions. At the climax of the sermon, the crowd identifies the pair and clubs them to death. The inverted world is gone as soon as it came. April 30, 2020

As the Covid-19 contagion passed through China, Western Europe, and the United States, we had our own version of the earthquake. Lockdowns have merged with uncertainty about economic growth to crater oil prices and spike unemployment rates to heights with no historical comparison.

As has become routine during such shocks—from the 1997 Asian Financial Crisis to the Global Financial Crisis in 2008 to the victories of Trump and Brexit in 2016—the rumor ricocheted through the op-eds and articles, think pieces, and tweets, that neoliberalism was dead.

How could anyone claim that markets were the solution to all social problems when it was the countries with strong states and safety nets—Germany, South Korea, Taiwan—where the virus was under control and those with a libertarian streak—the US and the UK—where leaders hesitated to intervene and let different parts of the country outbid each other for life-saving ventilators, test kits, and face masks? Daily applause for frontline health care workers must mean new value for the agents of social reproduction. Generous tips for delivery drivers and gestures of solidarity with Amazon warehouse workers must mean a clear-eyed look at the underpaid labor that makes modern life so frictionless. Visions of blue sky over Delhi and Beijing, air

pollution indices registering green in the center of Los Angeles, companies paying people to take barrels of oil they no longer wanted... Surely, after the pandemic we would recognize we had been living in a cursed world and this is the correct one. Humanity had an unearned chance for redemption.

But if we were the couple in the story taking refuge in the woods, we are all now streaming into the cathedral for the fateful service. In the past weeks, a \$2 trillion rescue package breezed through US Congress that will overwhelmingly benefit large corporations and the super rich, not ordinary workers. Speculation of a bailout for the US oil sector will surely keep high-carbon capitalism churning onward, especially as the Environmental Protection Agency has lifted regulations for the duration of the crisis. In Canada, the premier of Alberta pledged \$7 billion for its own cherished pipeline project. The value of nurses and other health care workers has been recognized in the United States, but only in the sense that they are one of the few exceptions in a presidential executive order that otherwise provisionally banned all immigration to the country.

America has found its own sin-drenched couple to turn on. This week a strategy memo urged Republican candidates to “Attack China.” More than half of Americans surveyed want reparations from China for the virus; the United States has defunded the World Health Organization in protest against its supposed subordination to the country; and the state of Missouri has sued the People’s Republic of China (and a string of associated institutions) in a domestic court. A Fox News commentator beloved by the president shouted that politicians must “start working on how you’re going to punish, ostracize, alienate, and financially sanction and make China accountable for what they did to us and the rest of the world.” A fragile unity will be restored—as it so often is—by targeting the outsider, the alien, the nonwhite person.

Without intervention, the community after the earthquake reconstitutes the one that preceded it. The interregnum extends only if there are social formations to carry it. And right now, the streets are empty, with would-be marchers self-distancing and juggling children and babies.

The leading mainstream political opponent to Trump is an elderly man in a Delaware basement with a habit of vanishing from the public eye for long stretches of time. Joe Biden was the safety candidate against an insurgent Bernie Sanders. He now sits in a bunker with no movement behind him.

We have seen a world where capitalism stops. But it will start again. When America “reopens,” it will be much like the old America. Big companies will be bigger, ever more beholden to the leader for having saved them. Arguments for austerity will return in the wake of the unprecedented spending.

The “thought leaders” in Trump’s recently announced Great American Economic Revival Industry Groups are all from the “free market” think tanks that have advised the GOP since the days of Ronald Reagan—Heritage Foundation, Cato Institute, Hoover Institution, American Legislative Exchange Council—they’re the priests arriving to give their sermon. The church of neoliberalism will be rebuilt and the flash of paradise in the emergency snuffed out.

For the real story, look up. Above the steeple, the vultures are circling. *The Wall Street Journal* predicts a wave of defaults, bankruptcies, and restructurings. Imperiled companies will see their devalued stock scooped by so-called distressed debt specialists, more commonly known as vulture investors, who make use of the generousities of US Chapter 11 law to strip employees of benefits or offload them to the state before flipping their acquisitions at a profit.

A pioneer in vulture investing and now the commerce secretary, Wilbur Ross praised bankruptcy in 2003 as “the corporate form of Darwinism.” Howard Marks, director of investment fund Oaktree Capital Management, was even more graphic in a recent letter to shareholders quoted in *The Wall Street Journal*. “Capitalism without bankruptcy is like Catholicism without hell,” he wrote, suggesting that federal bailouts shouldn’t shield market actors from “a healthy fear of loss.” He failed to add that people like himself have learned how to monetize the flames. His own Oaktree Capital Fund is reportedly raising “\$15 billion for what would be the biggest-ever distressed-debt fund.”

The next year will be a litany of the “workouts and turnarounds” that bankruptcy specialists are known for, ruthlessly wringing the value out of companies, while ignoring the human or social costs. Distressed debt funds are the loan sharks of the business world, and will feel no compunction about pursuing the bottom line. We have seen a preview of such dispassionate calculation in the last month, as stock values soared alongside record unemployment numbers and mounting deaths. The combination seemed shocking to some people, even scandalous. “The stock market doesn’t care about your feelings,” was the response of a *Los Angeles Times* business reporter, “nor should it.”

Covid-19 has left the economy in rubble, and we have a brief chance to build anew. But to avoid the vultures, we will have to be creative and work together. Freed from our quarantine, we can use the remains of our old society to construct new buildings, gardens, playgrounds, and, when necessary, barricades too.