

## Editorial

### Neoliberal economic model and austerity have made us helpless in the face of the COVID-19 crisis

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“There are decades where nothing happens; and there are weeks where decades happen.”

(V. I. Lenin, March 1918)<sup>1</sup>

2019 was a difficult, eventful and stressful year: there were monster storms and flooding, civil wars and economic collapse, natural disasters and man-made crises all around the world. The sheer scale of humanitarian need around the world was so immense and overwhelming that many people stopped following the news surrounding these events. In the second half of 2019, fears over the health of the global economy had deepened with the publication of international data. Global manufacturing output was actually falling, as measured by economists from J.P. Morgan. “Weak international trade flows stymied hopes of a stronger recovery from the mid-year downturn in the sector. Subdued business confidence led to cutbacks in staffing, purchasing and inventory holdings. . . . ongoing caution among manufacturers, resulting in cutbacks to purchasing, inventory holdings and staffing levels. Employment fell for the seventh time in the past eight months. Job losses were seen in the euro area, South Korea, Brazil, Indonesia, the UK, Russia, Turkey, Mexico, Thailand, Poland, Malaysia, Australia and the Czech Republic”, the report by J.P. Morgan emphasized (JP Morgan, 2020).

At the start of 2020, according to all available data, more than ten years after the collapse of the Lehman Brothers sparked the greatest financial crisis and economic downturn since the Great Depression, none of the underlying contradictions of the world economy have been resolved. The false claim that governments have broken the back of the recession was running out of steam. Global imbalances and deep-rooted tensions have deepened even further. Although economic worries are mounting in the advanced world, the growth deceleration is likely to be more painful in many emerging economies, notably Southern Africa, several economies in Latin America, and South and West Asia, including Turkey. Even before the recent trade tension, growth rates were slipping in parts of the emerging world because of falling capital inflows – following announcements of monetary tightening by leading central banks – which have in some cases already turned negative, compounded by falling commodities prices. These weaknesses are emerging in the context of a significant build-up of debt across the emerging world, much of it short-term and denominated in foreign currencies, with the biggest increases in the private sector (Rogers, 2020: 139–141).

Then came the coronavirus, which has plunged the global economy into a new phase of uncertainty. Since emerging in the Chinese city of Wuhan in late 2019, the coronavirus disease has spread to almost all countries and territories in the world. To stem further spread of the virus, authorities around the world implemented measures to lockdown countries to varying degrees, which included closing borders, shutting schools and workplaces, and limiting large gatherings. Those restrictions, which the IMF called the “Great Lockdown”, brought much of global economic activity to a halt, hurting businesses and causing people to lose their jobs in large numbers. According to the figures from the US labor department more than 36 million people have filed for benefits since the beginning of March (The Guardian, 14 May 2020).

The situation we have found ourselves in during the last six months is surreal. We have suddenly found ourselves in a situation that we have never experienced before. We are lonely and isolated, more than ever for many of us, and all this is extremely stressful and extremely disorienting. It is almost like there is no future.

When trying to understand and explain what is going on right now with respect to the COVID-19 pandemic, one word explains the dramatic conditions more than any other – *neoliberalism*. The neoliberal phase of capitalism rests on fictitious capital, a vast expansion in debt creation, deregulation, outsourcing, and privatisation of almost all public services such as energy, water, trains, health, education, roads and prisons. Neoliberalism in health-care systems has resulted in a deterioration of the extent and quality of healthcare services. Constant neoliberal restructuring focuses on profit rather than human rights indicators, which disempower people, whose health needs are subordinated to the needs of the market. Neoliberalism treats healthcare as a private good for sale rather than a public good paid for with our taxes. This relocation of healthcare from the state to the free market has a detrimental effect both on access to healthcare services and the quality of what is affordable for many people. In many countries the number of hospital beds were reduced, sections of essential healthcare were privatized and/or outsourced, and serious cuts were made in health budgets. The effects of neoliberalism can be seen as a form of structural violence, disproportionately affecting the most vulnerable sections of the population. Forty years of neoliberalism across the continents, especially in the so-called “advanced” western economies, have left the countries totally ill-prepared to deal with a public health crisis of this kind. More than anything else, this crisis has displayed the flaws of neoliberalism and disaster capitalism.

Viruses mutate all the time. Every virus mutates, which is part of the virus life cycle. Such mutations are not always a big deal, but the circumstances in which a mutation becomes life threatening depend on pre-existing cracks and vulnerabilities in the socio-economic model. Based on previous similar cases, it should have been possible to develop preventative medicine. But this is a massive undertaking that will require heavy investment in research and development. Only some states can afford such preventative research and development but because, in the era of neoliberalism, public investment in infrastructure, equipment, research and development of vaccines, medicines and skills was significantly reduced, it is left to the private pharmaceutical companies. Corporatist big pharmaceutical corporations, however, have no interest in non-remunerative research on infectious diseases such as COVID-19. They rarely invest in prevention. Investment in preventive medical care does not contribute to shareholder value maximizing the (average) rate of profit. Designing cures after we got sick is much more profitable. The sicker we get the more they can charge for their medicines and the more they see their profits increase.

The least neoliberal countries in the world, many in the global south, have so far come through the pandemic in better shape: China, South Korea and Taiwan, and most impressively, New Zealand and Vietnam. Five weeks after launching an aggressive nationwide lockdown to combat the coronavirus pandemic, even before the disease had claimed any lives, coupled with one of the most robust economic relief packages of any country, New Zealand’s government announced in late April that the new coronavirus is currently “eliminated” in the nation. New Zealand’s government has also been testing the public at one of the highest rates in the world. The pandemic has killed 19 people in New Zealand, fewer than one in every 100,000 people.

Vietnam, a nation with very limited resources, has so far stood out as a beacon of how to do more with less, and provided probably the most effective case against the pandemic. Despite being located next door to China and having extensive social and economic links with China, Vietnam has had no fatalities as a result of the pandemic at the time of

writing (June 2020). Vietnam's proactive efforts come after two decades in which the country has experienced a large improvement in quality of life. Between 2002 and 2018, an economic transformation helped to lift more than 45 million citizens out of poverty (The World Bank in Vietnam, 2020).

In Europe, Germany, with its centrally organized *ordoliberal* capitalist model, is showing other European countries the way forward because of its well-funded public health system. Immediately after the first few cases Germany facilitated a rapid public health response. Germany has the highest number of ICU beds in Europe with 29.2 per 100,000 capita of population (this figure in the UK is less than one-fourth at 6.6).<sup>2</sup> The pandemic has hit Germany hard, with more than 100,000 people infected, but the percentage of fatal cases has been remarkably low compared to those in many neighboring countries. Germany's fatality rate stood at 1.2 percent, compared with 12 percent in Italy, and around 10 percent in Spain, France and Britain.<sup>3</sup> This difference, the so-called "German exception", can be explained by early and widespread testing and treatment alongside plenty of intensive care beds, coupled with decisive government action whose social distancing guidelines are widely observed. Also, the state financial support to thousands of ailing firms and millions of workers seems fair and competent, which helps to keep people at home during lockdown without feeling the need to go out to work.

Many countries just ignored the initial warnings. Many in the west treated a crisis in Wuhan as a remote and exotic problem. The worst were the United Kingdom and the United States, two countries at the forefront of the neoliberal assault of the 1980s. The UK is being projected to have the highest death toll in Europe, and likely the third highest in the world after the US and Brazil. During a decade of austerity, the financial squeeze on the health service has been immense and the effects of this austerity regime are currently being felt across the UK hospitals – there is a shortage of doctors and nurses, as well as a shortage of hospital beds and medical equipment. As a result of neoliberal austerity 17,000 hospital beds were lost, and there are more than 40,000 vacant nurse posts across the NHS.<sup>4</sup> Dr Richard Horton, editor-in-chief of *The Lancet* – a leading British medical journal – said, "austerity blunted the ambition and commitment of the government to protect its people". Currently, the UK's health service has one of the lowest levels of doctors and nurses per head than almost any western country.<sup>5</sup>

The world's highest coronavirus death tolls, as of the time of the writing, belong to two highly developed countries, the largest and fifth largest economies of the world. By the time COVID-19 hit their shores, the UK and US were lacking the structures and personnel required to respond effectively. Their special relationship is not just one of linguistic and cultural proximity but a political/ideological partnership forged in the extreme neoliberal restructuring led by the so-called Thatcher-Reagan revolution. Neoliberalism of the Anglo-American version, pursued by both right and centre-left parties and rooted in small government, had effectively dismantled the role of the state in running the key services, and has left these two countries almost totally defenceless against the pandemic and its impact on the economy. Forty years of neoliberalism has left the Anglo-American public totally exposed and ill-prepared to face a public health crisis of this magnitude.

The coronavirus pandemic has had serious impacts on existing power structures in the global system. In the words of Adam Tooze, "COVID-19 is a wake-up call to adjust our world rankings and our understanding of our place in them" (Tooze, 2020). As the world is overwhelmed by the coronavirus, China is slowly but swiftly moving out of the crisis phase and acting like a leader. Having multiplied the production of medical equipment, China is well stationed to export and aid countries with its supplies, sending medical staff and aid to western countries, such as Italy, that have suffered tremendous losses as a result of the virus. This form of "soft power" has allowed the Chinese leadership to control the narrative, showing itself to be proactively assisting in alleviating suffering globally.

Many of the articles and commentaries in this issue are naturally on various aspects and analysis of the impact of the COVID-19 pandemic. There is, however, one other paper in this issue, “One country, two histories’: How PRC and western narratives of Chinese modernity diverge”, in our usual section on *Decolonizing the Curriculum*, which also includes two other pieces.

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## Notes

<sup>1</sup> Given in Merridale, Catherine (2016) *Lenin on the Train*, <http://catherinemerridale.com/lenin-on-the-train.html>

<sup>2</sup> <https://www.statista.com/chart/21105/number-of-critical-care-beds-per-100000-inhabitants/>

<sup>3</sup> <https://www.bmj.com/content/369/bmj.m1395>

<sup>4</sup> <https://www.theguardian.com/society/2020/mar/03/lost-decade-hidden-story-how-austerity-broke-britain>

<sup>5</sup> <https://www.theguardian.com/commentisfree/2020/apr/09/deadly-virus-britain-failed-prepare-mers-sars-ebola-coronavirus>

## References

JP Morgan (2020) “Global manufacturing conditions remain weak at end of 2019”, 2 January, <https://www.markiteconomics.com/Public/Home/PressRelease/dfce262b1e9141259cf6b-5358c88cfo4> (accessed in February 2020).

Tooze, Adam (2020) “The latest figures are a wake-up call: The global Covid-19 crisis isn’t close to over”, *The Guardian*, 30 June, <https://www.theguardian.com/commentisfree/2020/jun/30/covid-19-global-health-crisis-solutions-americas-india-africa> (accessed in June 2020).

The World Bank in Vietnam (2020) 27 April, <https://www.worldbank.org/en/country/vietnam/overview> (accessed in June 2020).