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COVID-19

AND THE

STRUCTURAL CRISES OF OUR TIME

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OF OUR TIME

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First published in Singapore in 2022 by
ISEAS Publishing
30 Heng Mui Keng Terrace
Singapore 119614
E-mail: publish@iseas.edu.sg
Website: <http://bookshop.iseas.edu.sg>

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ISEAS Library Cataloguing-in-Publication Data

Name(s): Lim, Mah Hui, 1947-, author. | Heng, Michael S. H., 1948-, author.
Title: COVID-19 and the structural crises of our time / Lim Mah-Hui and Michael Heng Siam-Heng.
Description: Singapore : ISEAS – Yusof Ishak Institute, 2022. | Includes bibliographical references and index.
Identifiers: ISBN 9789814951807 (soft cover) | ISBN 9789814951814 (pdf) | ISBN 9789814951821 (epub)
Subjects: LCSH: COVID-19 Pandemic, 2020—Economic aspects. | COVID-19 Pandemic, 2020—Political aspects.
Classification: LCC HC59.3 L73

Typeset by Superskill Graphics Pte Ltd
Printed in Singapore by Mainland Press Pte Ltd

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Foreword

The pendulum swings in multiple planes. A political pendulum swings from Left to Right and back again. Economic pendulums swing from order to disorder (crises) and back again. Lim Mah-Hui and Michael Heng's book dissects the COVID-19 pandemic as multiple crises at the health, economy and finance, environment, political and global levels. Welcome to the age of mega disruptions.

The year 2020 was an important year in the sixty-year Chinese lunar cycle, known as Gengzi year, usually associated with disaster and crises. 1840 was the outbreak of the Opium War; 1900 Boxer Rebellion, 1960 great famine following the Great Leap Forward, and the 2020 pandemic on top of tense US-China relations. But the pandemic was global, with serious setbacks deepening all the cracks revealed in earlier crises: 1997 Asian Financial Crisis, 2007 Global Financial Crisis and the failed reforms since. As the British academicians replied when the Queen asked why no one saw the 2007, "no one had the imagination ...".

Perhaps it was because academic and policymakers were so engrossed in their individual silos that they could never see the whole cracking and changing before their own eyes. They were blinkered and lacked the imagination to connect the dots.

This Lim and Heng (LH) book is a welcome and timely addition to the literature on probably the most devastating event of the twenty-first century. The pandemic is redefining and shaping the trajectory of economics, politics, society and planetary ecology for the rest of the century. There is no normal.

The COVID-19 coronavirus is emblematic of our current ills, because if we do not control a microscopic virus, it will control the macroscopic world. What is unfolding is a desperate struggle of power, not just between the medical profession and the virus, but also between nations and markets, since whoever controls the virus controls the economy, and whoever controls the economy and the pandemic better, may end up as the winner in the global race. For every vaccine that is invented, the virus mutates further.

But of course, it is not so simple. When the pandemic broke out in China, the West thought it was China that would stumble. But it turned out that the two states at the top of the Global Pandemic Readiness Index, the United States and Great Britain, ended the year 2020 with 400,000 and 100,000 deaths instead, whereas China and East Asia, notably Japan,

South Korea and Taiwan had 4,636, 5,912, 1,448 and 9 deaths, respectively. ASEAN countries had uneven results, with a million infected in Indonesia (30,770 deaths) whereas Singapore (29), Thailand (79), Vietnam (35) and Malaysia (809) did relatively better. Of course, almost all economies suffered negative growth in 2020, with the notable exceptions of China, Taiwan and Vietnam.

Below the surface of geopolitical rivalry, medical chaos, social protests and distress and growing climate disasters lie deeper issues that this book explores. Chapter 1 on the Great Transformation dissects the deep schism between two Austria-Hungarian thinkers who shaped market ideology for the rest of the twentieth century. Both rejected Soviet totalitarianism and were refugees in United Kingdom and the US. Hayek the economic philosopher pushed for free market forces, whereas his contemporary political economist Karl Polanyi analysed how market forces and their contradictions created the Great Transformation since the Industrial Revolution. He argued that the market is part of an economy, which is part of society, which is part of a greater planet. To use market forces (a reductionist part) to explain and manage politics, society and ecology (the whole) is not only intellectually fallacious, but destructive in consequence, as later events showed.

Although both had best-selling books (*The Road to Serfdom* by Hayek and *The Great Transformation* by Polanyi), it was Hayek who won the Nobel Laureate in 1974 and whose influence in neoliberal ideology became dominant post 1980s. But deep down it was an ideological struggle between state versus market. The economics profession never accepted Polanyi fully, and their beacon since the New Deal in 1934 was John Maynard Keynes, who argued for state intervention in terms of fiscal policy to get out of the liquidity trap. Neoclassical economists abhorred state intervention, thinking that the market will revert to equilibrium, but as Keynes showed, the lack of aggregate demand required government intervention to replace consumer demand and private investment, when investors preferred to remain liquid because of uncertainty (liquidity preference).

When Keynesian economics faltered because of excessive spending leading to inflation, in the early 1980s, the Chicago School led by Milton Friedman, Hayek and others influenced the thinking of US President Ronald Reagan and UK Prime Minister Margaret Thatcher to shift government policy towards free markets. The tide had turned away from state intervention towards capitalism with a vengeance. It was no coincidence that after the turmoil of the Chinese Cultural Revolution, China embarked on capitalism with Chinese socialist characteristics in 1978.

This debate between state versus market within China has very ancient origins. Amongst the Taoist tradition, there has always been a complex interactive debate between action (*you wei* or to intervene) and non-action (*wu wei* or letting nature or markets take their own course). Just as Western democrats use the Magna Carta of AD 1215 as the watershed between democracy and autocracy, Chinese historians mark the Salt and Iron Debate of 81 BC as the decision point between state intervention (in form of state enterprises and monopoly taxes) and private market forces. By taking that path, China ended up with more state-led governance systems. Europe used private pirates and state-chartered companies (East Indies and Dutch East Indies) to conquer colonies and markets. Ancient China had to raise money from state-owned enterprises) to fight both external invasions as well as dealing with internal imbalances. Today, democratic governments rely on monetary creation by central banks to fill budget deficits.

Neoliberals preach small governments, but in reality, government has grown bigger and bigger in every economy, including the United States. Hayek in his Nobel Laureate lecture argued against the Pretense of Knowledge, warning economists not to be misled by certainty, when there are unknown unknowns. He should have known that the neoliberal philosophy he preached has a “Pretense of Free Markets”, where in reality governments are growing larger in terms of taxation, debt and regulation every day. When central banks dominate in financial markets by holding the bulk of sovereign debt and also market paper, and concentrated tech platforms and a handful of banks and asset managers are larger than the rest of the market put together, where is the free market that neoliberals preach?

LH correctly identified that since then, even capitalism had morphed from industrial capitalism to managerial capitalism, and today its financialized capitalism form that is devouring not just society, but even the planet. In Chapter 2, they delve into the history and evolution of pandemics to appreciate how different systems cope or do not cope with the coronavirus that may be with us for quite some time. This part is well researched and helpful to readers to appreciate how what appears to be a surprise was indeed predictable, and yet how unprepared all bureaucracies and systems were to cope with these Black Swan events.

Black Swan events are those that are small in probabilities but have large impact. The pandemic was more like a Grey Rhino, one that many epidemiologists had predicted would happen and was charging right at us, but no one could anticipate when it would charge. Perhaps one reason why countries were unprepared was because the pandemic was a Black Elephant, meaning that not only was its impact devastating, but it was

a huge problem like an elephant in the room that no one wanted to talk about nor address. Each silo blamed the other for being unprepared when the crisis came. The whole did not work.

In short, this is a complex systemic crisis, with deeply entangled and entrenched causes and effect. Its solution therefore will not be simple.

In Chapter 3, LH moved from a health analysis into an assessment and evaluation of the economic rescue, stimulus and their consequences. Few could doubt that the COVID exposed all the economic frailties and inadequacies of the current national and global systems. The cracks that appeared in the Asian and global financial crises were papered over and were now wide open and raw, erupting in anger of the masses and populist extremes in political form. The “objective, idealistic, positive” neoliberal ideology that argued for free markets and minimal government suddenly was exposed as an elitist propaganda for their own interests, in which justice, democracy, rule of law and freedom were preached, but instead very flawed and rigged outcomes were delivered.

Most of all, the neoliberal ideology revealed that when interest rates fall to zero or negative, quantitative mechanisms to allocate efficient resources start to fail. When markets are highly concentrated, politics become manipulated as Nobel Laureate Joseph Stiglitz puts it: “Of the 1%, by the 1% for the 1%” all in the name of the people.

Polanyi was proved right that markets do not solve everything. Quantitative economics and money ignored the fact that in human life and nature, morality plays as important a role in any decision as individualist greed. The lion does not consume more than what it needs but man can destroy the planet through his capitalist greed. The pandemic showed that the rich can go online, whereas the poor have to go out and work in all the jobs that expose them and their families to sickness, destroying their jobs and security. Vaccines that are priced at market cannot be afforded by the majority. The post-COVID economy is dominated by Big Government and Big Tech.

In Chapter 4, the authors explore whether we have sown the seeds for the next financial crisis. With global financial markets at all-time high, with spectacular bubbles in cybocurrency Bitcoin, penny stocks like GameStop, there is an important debate whether the liquidity generated by central banks to combat the pandemic and prevent financial crisis can be sustainable. When interest rates become zero, it loses its value as an allocator of financial resources, as current models of valuation use discounted cash flow (DCF) which depends on an interest rate. But at near zero or negative discount rate, the valuation goes towards infinity and cannot be reliable.

I thought that following the recurrence of financial crises every decade, 1997 and 2007, the next financial crisis would erupt in 2017. What erupted instead was not financial but political, in the form of Brexit and Trump's election. Thus, any evaluation of the current state of affairs would show that the origins of today's crisis have multiple roots. Professor Michael Mann of the London School of Economics (LSE) attributed human affairs today to four sources of social power: ideological, economic, military and political. But in the larger order of man and nature, I would add another two—ecological and technological.

Increasingly, scientists have traced the origins of the pandemic to climate change and demographics, as human live in closer proximity to animals, where the viruses jump zootonically. The neoliberal free market ideology is flawed because it derives from an Anglo-American belief in freedom at individual level to enjoy limitless resources. That is possible when you can conquer resources through colonialism and later ideologically through financialized capitalism.

But there is a planetary limit when globalization covers the whole planet, and consumption by one part in excess of its share can only be achieved by exploiting resources through debt. Excess consumption of planetary resources is only possible through further debt creation, which is why climate change and increasing carbon emission is tied to financialized capitalism and monetary printing.

In short, our One Planet cannot sustain every Indian, Chinese, African, Asian or Latin American enjoying the same standard of living and carbon emission per capita of Americans or Europeans. Neoliberalism promises much but cannot deliver in practice. We need a wholly different model or worldview.

The creation of that worldview cannot be top-down, because no one is genius enough to appreciate the exploding complexity today. It will be mostly bottom-up as the masses and individuals begin to realize that what is needed is not only changes at the collective level, but also individual responsibility to the collective and the planet. Narcissistic individual freedom not to wear a mask has been responsible for hundreds of thousands of deaths. Individuals have freedom, but also responsibilities. Societies have freedoms but also responsibilities. Getting the balance right has never been easy.

The political part of the LH analysis comes in Chapter 5, explaining the rise of populism and the democratic retreat. This debate is increasingly entrenched in the US-China rivalry, where both sides begin to demonize each other. Thankfully, the Biden administration realizes that cooperation

is needed because the larger issues of climate change, pandemic and global economic recovery cannot be achieved by any nation alone. Welcome to the “Age of Coopetition”, both cooperation and competition at the same time.

In Chapter 6, the book explores possible futures. This is an important contribution because what comes next is an interaction between different forces. The authors have been influenced by Polanyi in seeing the market as economic tool, social institution and eventually a market society. They see a Triple Movement rather than the Polanyi Double Movement, but correctly identify the obstacles as political as well as global regulatory coordination and governance. The triple movement will be shaped by market forces, state-led social protection, and emancipation of civil society, which will play an important role to check the flaws of either state or market. The authors hope for stronger global governance, but is it possible when societies are so polarized and divided?

Are we letting another serious crisis go to waste? The future can be described as three possible paths—good, bad and ugly. The good is the ideal, what most wish for, but of course your ideal may be my nightmare. The bad is more of the same, when governments and individuals cling onto their “golden past” and simply muddle through. The ugly is when everyone starts fighting each other, and we end up with nuclear Armageddon or a burning planet.

Harvard economist Dani Rodrik presented his famous trilemma as a two out of three choice between national sovereignty, democracy and globalization. LH sees the trilemma as between a nationalist-populist neoliberal market; social-democratic market; and market authoritarianism. In dealing with climate change, geographer Geoffrey Mann and Joel Wainwright argue that the solution may be four alternatives: Capitalist Climate Leviathan or Climate Behemoth or non-capitalist Climate Mao or Climate X.

Mann and Wainwright see the Hobbes Leviathan as the capitalist sovereign or autocrat who addresses the climate issue; Climate Behemoth as the anti-sovereign, capitalist and anti-climate mass that denies climate change; Climate Mao as the anti-capitalist authoritarian China that addresses climate change; Climate X is an anti-capitalist, anti-climate mass movement that sees protests and boycott as the way forward.

Mann and Wainwright are ecologists who are increasingly frustrated by the politics of climate change. Jargonistic categorization aside, the four alternatives are not attractive to everyone, especially those who love democracy (hate autocracy) but cannot get agreement on climate action because half the population is in the denial or opposition mode. What

Trumpism has shown is that the social divide is not just between climate deniers and activists, but also between those who do not believe in science and rationality. This suggests that democracy may have huge difficulty in addressing climate change, which is why ecologists are now flirting with Climate Leviathan or Climate Mao.

How will the future evolve? The answer is that we must have the humility to admit that we do not know. We are in the phase of moving from unipolar to multipolarity, because from biological sciences, we know that monocultures are fragile and unsustainable. All life comes from diversity, from genes to memes. Since the United States is no longer the unquestioned hegemon with dominant economic, military, ideological and political power, let alone leading command of technological and ecological/resource capacity, there is a thousand flowers blooming. We are all hybrids, evolving and changing into more complexity, even as we try to reduce such chaos and complexity into simplicity that we can understand.

This book is an important contribution to the debate over our futures. If our teachers and the best and brightest from the West are wrong, or at least very unsure of themselves, what should the Rest do? This book forms part of that conversation and search for the paradigm that will shape our own destinies, hopefully without the baggage of the past. It is extremely painful to recognize our own failings. We have been wearing rosy glasses of the twentieth century to look at the dark and yet light landscape of the twenty-first century. Neoliberalism pointed towards the light, but did not reveal its dark side.

That is why all “-isms” are thought-constructs that do not conform to reality. Democracy, capitalism, autocracy, socialism, etc., are labels that have different meanings to different people. These labels are opium for the masses, so that the powers that be who manipulate the media and ideology benefit in their consolidation and concentration of power. What we have learnt is that quantitative science cannot explain the world, because there is always an emotional, qualitative side to man and nature that interacts to form a new reality. Science has created today augmented or artificial realities or intelligence. These are being used not necessarily rationally but also in anger against each other. Reality is changing even as our perceptions change.

Humans and Nature are One. The world cannot be broken down artificially into parts which do not add up, because the partialists (those who divide the world into parts) can never see the whole. We live in an organic giant, open complex system that is always changing, and we simply do not know for the better or for worse.

This is why the authors should be congratulated for opening up new vistas to examine the coming complexity, perhaps even chaos. Read, enjoy and reflect.

*Andrew Sheng
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Preface

Writing a book about a current event presents numerous challenges, not the least of which are having to analyse data that are either incomplete or constantly changing, and making conclusions that can quickly become outdated. The objective of this volume is not to provide a blow-by-blow account of the development of the COVID-19 pandemic. Neither is it a primer to explain the pandemic from a health or medical perspective.

Rather the purpose is to situate the pandemic in a larger historical, social, economic and political context. To show that the pandemic is not just a health crisis, that it should be understood in a holistic and historical perspective. The book is intended for a general audience rather than an academic one. Hence, we tried to the best of our ability to convey the message in as accessible language as possible without sacrificing academic rigour. A glossary of medical terms used in Chapter 2 is provided for the convenience of readers.

What broke out as a health crisis in 2020, definitely the most serious since the 1918 Spanish flu, has deep historical and structural roots with extensive impacts that reverberate to all sectors of society and economy. That is why our book is titled: *COVID-19 and the Structural Crises of Our Time*. We examined the crises of environment, health, economy, finance and politics and their interrelationships. The pandemic is simply a jumping point or springboard for us to examine the structural flaws in our society.

Practically all commentators on the pandemic, including those with different political persuasions, are more or less agreed that the event has laid bare many fractures and flaws in society—environmental degradation and climate crisis, inability of health systems to cope with health calamities; huge economic disparities in society that worsened as the pandemic hit the poor and lower working class harder than the rich and upper class; political polarization between those who turn to science to manage the pandemic and those who disdain science in favour of populist jingoism and solutions.

In terms of situating the pandemic in broader historical context, the authors turn to the work of economic and social historian Karl Polanyi. In his path-breaking book, *The Great Transformation*, written over seventy years ago, Polanyi presciently cautioned that an unfettered market economy (which he described as self-regulating) left to its own device and logic would bring about disastrous consequences on human life, economy, and environment. We are witnessing some of these outcomes. Market economy

has delivered impressive growth over the last two centuries. But civilization is now waking up to the tremendous costs that come with unbridled growth. Humans have been transformed from social beings to economic beings whose value and status are measured by how much a person accumulates and consumes. If there are no limits to how much humans can accumulate and consume, we are learning there are limits to how much mother earth can sustain such ceaseless and senseless accumulation and consumption. As the great humanist Gandhi once said, the earth has enough to satisfy everyone's need but not everyone's greed. We are fast approaching that planetary limit.

The spectre of climate change and catastrophe is at our doorstep. It is the biggest threat to human existence. The present pandemic is only a harbinger of what is yet to come if we continue along the present path in a business-as-usual mode. As we show in Chapter 2, zoonotic pandemic is a result of human's relentless and ruthless encroachment on nature and environment, upsetting the precarious ecological balance. This pandemic is not the first. It was preceded by many lesser pandemics after the big one in 1918 and should have been expected but for which we were not well prepared. Will this pandemic that has cost more than 4 million lives and trillions of dollars of economic loss, at the time of writing, be a wake-up call for radical change? A crucial question as there will be more pandemics down the road.

Chapter 3 charts the impact of the pandemic on the economy bringing it to a sudden stop causing the steepest decline in economic growth in many economies since the Great Depression. Governments globally pulled out all stops to rescue the economy through unprecedented monetary and fiscal measures. This made for a quick recovery by the end of 2020. What are some of the unanticipated consequences of these measures?

In Chapter 4, we examined how the pandemic has complicated an unstable financial system. We live in the age of financialized capitalism where production is increasingly dominated by financial circulation, value creation supplanted by value extraction; growth is driven more by debt than productivity and income gains; inequality, speculation and financial asset bubbles fan booms and busts. All these produce an inherently unstable financial system that lunges from one financial crisis to the next. Even as the world economy struggles to emerge from the catastrophic 2008 Global Financial Crisis, it is hit with a new pandemic forcing governments and central banks to unleash unprecedented monetary and fiscal stimulus to avert a global meltdown. It is our contention that the same monetary policies of ultra-low interest rates and massive liquidity creation employed

to fight the last financial crisis serve to sow the seeds for the next crisis. Central banks have painted themselves into a corner where accommodative monetary policies to rescue financial markets from imploding only serve to create more debt reinforcing financial instability. Like a rider unable to dismount from a tiger's back, central banks are unsure how to deleverage without causing a financial blowout as they experienced in the 2013 taper tantrum. Only this time around the stakes are very much higher.

Financial and economic crises spill over into politics. Chapter 5 examines the roots of populism, the dangers it presents to democracy. Four decades of neoliberalism has not only spawned economic and financial crisis but also political crisis. This is manifested in the ascendance of populism verging on ethno-nationalist regimes, which can descend into fascism in the worst scenario. Populists in power have exploited the pandemic crisis to grab more power. At the same time, populist governments have not performed well in coping with the crisis. This chapter also looks at how the pandemic can affect the fortune of populism and democracy, as well as the sense of solidarity among nations.

Radical change in society is often born out of crises. Will the present crisis which has exposed fundamental faults in society also be the catalyst for change? If so in what direction? And what are the forces shaping possible future outcomes? These are some of the questions explored in the final chapter. Building on Fraser's Triple Movement framework, an extension of Polanyi's double movement, the authors propose that the dynamic interplay between the forces of marketization, social protection and emancipation produces three possible political-economic scenarios—nationalist-populistic market economy, social-democratic market economy and market authoritarianism. They end with the question of which regimes are most able to face the global challenges of climate change, financialization and pandemics facing humankind.

Writing a book is always a collaborative exercise especially one that extends across multiple disciplines. We therefore reached out to colleagues in their special fields to augment our understanding and knowledge. In Chapter 1, Roger Teoh's contribution to our discussion on climate change is duly acknowledged. In the public health and medical fields, we like to especially mention Yap Tuan Gee, a pharmacologist and medical doctor with deep interest in infectious disease, who generously shared his knowledge and time to provide valuable inputs for Chapter 2. Others public health specialists who were consulted and gave helpful comments for this chapter include Chee Heng Leng, Jeyakumar Devaraj and Lim Chee Han. Our esteemed colleague, Diana Barrowclough, an international economist

with a deep interest in these multiple crises, is the author of Chapter 3. Her contribution is gratefully acknowledged. She also contributed many incisive comments for other chapters of this volume. The authors also had many hours of stimulating conversations, that helped sharpen our thinking, with the following persons, listed in alphabetical order: Yilmaz Akyuz, Kam Suan Pheng, Herbert Poenisch, Douglas Porpora, Howard Sereda, and Yeoh Lam Keong. To them we express our gratitude but also our apologies if we failed to heed all their comments. We also like to thank the following who read parts of the manuscript and provided helpful comments: Chee Yoke Ling, Lee Hwok Aun, Anil Netto, Balakrishnan Narayanan, Jeffery Sng, and Karina Yong. The research assistance received from Maggie Siow, Soon Rhon Wei, Evelyn Teh and Kirin Heng Wen-Hwee is also duly recognized.

The authors also thank the anonymous external reviewers for their comments and suggestions to improve the manuscript; Ng Kok Kiong, the Director of Publishing at the ISEAS – Yusof Ishak Institute, for his unflinching support in the production of this book. Special mention must be made of Marc de Faoite, our very able editor, who not only provided superb technical editorial assistance but also substantive comments and input for the manuscript as it evolved. Special thanks to Andrew Sheng, a long-time friend and a well-known financial expert, who graciously agreed to write the Foreword and to share his insights on this issue. Thanks to Fadzli Amir for his contribution to the cover illustration.

Michael Heng would like to thank the East Asian Institute of National University of Singapore for use of its library, and the HEAD Foundation Singapore for the use of its office facilities.

Finally, Lim Mah Hui would like to express appreciation to his wife, Koay Siew Hong, whose steadfast support lightened his burden in completing this book.

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September 2021*

