COVID-19 – The Great (Un)Equalizer

By:

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The announcement said that those who want to buy snacks or drinks should pay with their credit cards, and not with bank notes. I have not heard such an in-flight announcement ever before. Not so long ago, people trusted paper money more than the virtual money on which we put our faith now. But, on this 19th day of March, 2020 that announcement is not the only thing that looks strange or sounds odd. Earlier, the air hostess who greeted us as we boarded the Boeing 737 had half of her face covered with a mask. With her eyes and eyebrows sandwiched between the mask and her long black hair, you could not tell whether she was smiling or grinning at you. However, I quickly noticed that she refrained from touching my boarding pass. Her eyes simply scanned the pass to verify my seat number before she allowed me in the economy class.

Seated next to the window, I cannot help but wonder what Samir Amin would have thought of the world we have entered. One of the brightest development thinkers that the continent has ever produced, Amin long advocated that developing countries 'de-link' from the capitalist countries in the West. Although the prolific writer unfortunately died two years ago, I wonder whether he would have thought, if he was still alive, that the unfolding crisis realizes the

‘delinked’ world he dreamed of. I believe that answering this specific question about delinking can shed greater lights about what people of the South gain or lose from trading with the rest of the globe by imagining the Third World without Western capitalism. This question particularly resonates in Africa as the continent is resolutely moving closer together in terms of commerce and finance.

After decades of failed efforts to take her out of poverty and to spur long-term growth, Africa now acknowledges that the only way for her to survive is to trade mostly with herself. If she cannot address basic issues of hunger, health, and safety effectively, Africa will collapse upon herself. Only through trade with herself can she ensure the prosperity that she needs to sustain herself as a viable economic project. That, in a nutshell, sums up the theories that the likes of Samir Amin championed and the current thinking about global trade in Africa. Crucially, it sums up the pan-Africanist ideals behind the African Continental Free Trade Area (AfCFTA).

But far from anything that Amin envisaged, the new realities look less like a place of equal economic exchanges than a surreal, apocalyptic scene taken from a Hollywood gory movie or the pages of Albert Camus’ novel *La Peste*. The delinked world does not play out the way Amin may have expected. Surely, the COVID-19 world is delinked. I only need to browse around me to see that an empty seat separates me from my neighbor and that, in the same manner, all the passengers on the plane sit apart from one another, except for those who have come with kids and babies. This is just one example of the social distancing that people across the globe have started to observe. And, like any informed economist will tell you, such sparsely populated flights do not generate any profits for airline companies in the capital-intensive aviation industry. Nor do such flights bring in the numbers of visitors that tour operators and the entire tourism industry require to maintain their operations.

If Amin or any other neo-Marxists had at all predicted that delinking would happen one day, they never foresaw the form and the shape that the ongoing delinking has taken on. Of all the worst-case scenarios that strategists and policy makers have outlined to prevent any future economic crisis, a pandemic probably never topped the list. The latest coronavirus outbreak has not only

grown into a pandemic, the COVID-19 is also overwhelming healthcare systems, infecting hundreds of thousands of people, and depressing the world economy as it hemorrhages millions of jobs, while changing the way we value things, the way we relate to one another, the way we live our lives, and the way we die our deaths.

But, just like Amin could not have predicted that delinking would come about as a direct consequence of a fast-spreading deadly virus, very few people could foretell that the next major recession would be eased thanks to online transactions. By the way, the US military invented the ancestor of the Internet in the 1960s during the Cold War to enable soldiers to continue communicating even in the event of a nuclear attack. Today, the same technology allows us to pull through a real catastrophe.

Before I left Mthatha for the airport in East London, the institution I bank with had informed its customers to avoid going to its branches for services and encouraged them to transact online. Likewise, Walter Sisulu University (WSU), where I teach, announced on March 18th that it had arranged video conferencing for staff to communicate during the recess. This followed the address by South African President Cyril Ramaphosa, who declared on March 15th a national state of disaster. Shortly afterwards, WSU ordered that students vacate their residences and that the first-term recess commence immediately, earlier than planned. On March 23rd, the President announced a 21-day nationwide lockdown. Three days later, WSU decided to extend the University recess and to further migrate online. Elsewhere in the country, universities enforced similar measures.

The coronavirus pandemic has enabled us to sharply distinguish between essential services such as healthcare and non-essential services such as transport. Like clinics, banks remain open; the pandemic has highlighted just how essential banking is. First, the government partnered with banks to roll out a loan guarantee scheme worth R200 million to support over 700,000 firms and 3 million employees while the banks offered debtors much-needed repayment relief. Banks granted the relief online; and, in doing so, they have hastened the digitalization of banking – a process that had started long before COVID-19 broke out in Wuhan, China, late last December. More importantly, the

heightened online activities of banks during the lockdown urge us to imagine banking without banks.

However, what will really take aback those who called on developing countries to delink from the global economic system is not the tax holidays or the debt relief. Neither the fact that trade ground to a halt or that the South African Reserve Bank chipped in by lowering the interest rate by a record-breaking 4.5%. What will confound them the most is that, ironically, the delinking in progress pushes developing nations more into the arms of global capitalism.

The coronavirus reminds us of our shared humanity, but at the same time its fallout has increased our economic inequalities. It affects and infects people, regardless of class, socio-economic status, gender, and race. At the same time, however, it reinforces inequalities among people and nations by forcing developing countries into the arms of richer nations in the West.

In particular, the coronavirus pandemic has deepened the already-existing recession in South Africa, causing the Rand to crash. This, in turn, prompted Finance Minister Tito Mboweni to say that South Africa may consider approaching the International Monetary Fund (IMF) and the World Bank for funding as it confronts the coronavirus. Mboweni's suggestion divided the ruling party, the African National Congress (ANC), along ideological lines.

This division over coronavirus funding should come as no surprise as the ANC and its partners patch together into one big alliance politicians who subscribe to different ideologies, including notably neoliberals, neo-Marxists, and communists. Even if the ruling ANC stays away from the IMF or the World Bank, it will need to secure funding from some lender or else see its economy melt down.

The diverse group of theorists to whom Amin belonged believe that borrowing money from the centers of global capitalism would give developing nations a terrible disease: dependence. Like Walter Rodney argued in 1973, European intervention in Africa throughout the 19th century created a form of dependence on the West that impoverished the continent. While some dependency theorists generally wanted to overthrow or delink from the global

capitalist system, other theorists sought to reform that system, sometimes by recommending a greater role for the state in the economy. The developmental state model succeeded in some South East Asian countries such as Singapore and South Korea, the model has not yet worked in South Africa. I do not recall having travelled with a South African airline company other than Airlink, SA Express or South African Airways (SAA). Yet the government had to put SAA, once Africa's leading airline company, under business rescue after years of interference from the government left it literally bankrupt. Together with Eskom, Africa's largest energy utility, SAA represents the failures of state-owned businesses in South Africa. Flying privately-owned low-cost carriers like the FlySafair plane I got on will maybe usher in a new economic model.

The pilot just announced that we are beginning our descent to Cape Town International Airport. Coming back to the issue of COVID-19, I think that weathering the storm does not matter as much as figuring out one's destination. And when I reflect on the theories that divide politicians and scholars alike, I wonder if they always know where they are taking us with their ideas. The same people who criticize Mboweni for even daring to consider borrowing in the capitals of finance are the same ones who praise regional integration through the AfCFTA, not realizing that financialization and regional integration both derive from neoliberalism.

Actually, neither neoliberalism nor the pandemic should hide the cracks in the domestic economy. Before the President locked down the country, students on several campuses in Eastern Cape were already burning tires to protest against accommodation, registration, unpaid allowances, and students' historical debts. These issues do not result from market-friendly policies, but from certain promises by the states to provide certain services to students, sometimes despite their impracticality.

Neoliberalism is fundamentally flawed, but our policy makers, lawyers, and economists have not yet offered us any other workable route. They will not be able to overhaul finance, economics, and international economic law wholesale soon. This sort of drastic changes will require massive resources and investments, spread over a long period of time. For the present, a more realistic strategy consists in adapting the flawed existing models to better suit the

continent's unique circumstances. As Jared Diamond wrote in his book *Upheaval*, nations that have successfully overcome existential threats are those that 'selectively adapted' existing technologies and economic models. South Africa has perhaps arrived at such moment of truth. But, instead of jettisoning traditional finance, South Africa may decide to innovate and creatively 'adapt' it to its own circumstances.

Though the pandemic sent it into a downward spiral, the world of finance has retained one of its safer and more useful functions: bonds. The African Development Bank raised 3 billion US dollars by issuing corona-related bonds. With all the 'Big Three' credit rating agencies having downgraded South Africa's sovereign debt to junk status, tapping into global financial markets becomes almost inevitable for an economy like South Africa's, with low savings and high household debts.

True, Amin and dependency theorists would lament that touching Western money will make South Africa very sick. But developing countries will get sicker if they do not borrow in these challenging times. Maybe the real tragedy of this pandemic lies in having to choose between evils, between the types of illness a nation is willing to suffer. Given these dilemmas, now I think that the masked air hostess was smirking.

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