Debate

The Virus, the Dollar, and the Global Order: The COVID-19 Crisis in Comparative Perspective

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ABSTRACT

In 2003, the SARS pandemic led to a framework of global public health governance which was characterized by cooperation between the USA and China, and China’s increasing influence in the World Health Organization. In the wake of the global financial crisis of 2008, major economies of the world, above all the USA, established the standard of aggressive fiscal and monetary expansion to mitigate any major crisis of the global economy. The effectiveness of such expansions in bringing global economic recovery without fuelling out-of-control inflation hinged on the deepening of US–China economic integration. These global health and economic governance frameworks, which emerged from two previous crises, conditioned the global response to the COVID-19 pandemic in 2020. Ironically, the COVID-19 crisis and the global responses to it undermined the legitimacy of the global public health governing institutions and further aggravated US–China rivalry, which had started before the pandemic. On the other hand, the crisis sustained economic integration between the two countries, despite the US–China trade war that began on the eve of the pandemic. This contradictory geopolitical and geo-economic fallout of the COVID-19 crisis will bring more uncertainty and instability to the global order in the wake of the pandemic.

INTRODUCTION

It took only three months for a new coronavirus, which was causing a local epidemic in the Chinese city of Wuhan in December 2019, to become a global pandemic that forced countries around the world to go onto lockdown. The scale of infection, hospitalization and death surpassed all major outbreaks in the past 100 years. The global lockdown generated

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unprecedented disruption throughout global production and trade networks. All economies experienced a nosedive in growth and a surge in unemployment in spring 2020.

The COVID-19 crisis has put global public health and economic governance to the test. We cannot say that such an event was unexpected, as public health experts have warned for decades that an outbreak resembling the scale of the 1918 Spanish flu was increasingly likely. In 2003, the SARS epidemic that erupted in South China spread rapidly to other countries, and many public health experts initially supposed that this was ‘the big one’. As it turned out, the virus causing SARS was much less contagious than feared, and the global fallout was limited. But the framework underlying the global governance of public health that was incited by the SARS outbreak — and particularly China’s increasing involvement in that global governance — remained in place in the wake of the pandemic. That framework constituted the starting point for the global response to the large-scale pandemic that was predicted; the COVID-19 outbreak, which was much more sustained and disruptive than SARS, proved to be a severe test for the framework.

The economic paralysis caused by the COVID-19 pandemic was not unprecedented either. In 2008, the collapse of the Lehman Brothers in the US triggered a financial crisis that sent ripples throughout the world and brought the global economy to a standstill. The 2008 global financial crisis was driven by structural imbalances of the global economy that had been worsening over decades. In response, in coordination with other major economies, the US federal government formulated a bold monetary and fiscal stimulus policy that successfully pulled the US economy out of crisis. Its success hinged in large part on the deepening economic integration between the US and China. Although controversial at the time, these aggressive stimulus measures became the template of governmental responses to the large-scale collapse of the global economy; the responses of the US and other major governments to the economic crisis precipitated by the COVID-19 pandemic were largely based on the experiences of 2008.

This article examines the structure of global public health governance that emerged out of the 2003 SARS epidemic and asks how the monetary and fiscal response to the 2008 global financial crisis shaped the global response to the COVID-19 pandemic and its economic fallout in 2020. I argue that the COVID-19 crisis fractured and delegitimized the post-SARS global public health governance structure by deepening the pre-existing US–China geopolitical rift. At the same time, stimulus packages put in place by the US and other Western countries, like the packages of 2008, deepened the economic integration between the US and China.
A TALE OF TWO CRISSES

SARS and Global Public Health, 2003

In November 2002, when rumours about a mysterious and deadly pneumonia-like disease emerging in South China started to spread, the Chinese government initially denied everything. As evidence of a new epidemic began to mount, the World Health Organization (WHO) stepped up its pressure on China to allow the WHO to send in a team of experts to investigate. But the Chinese government remained secretive about the disease and denied that there was any public health emergency in Guangdong of global concern (The Guardian, 2003; Huang, 2004; Zhang and Benoit, 2009).

When cases of the new pneumonia started to spread to Hong Kong, and from Hong Kong to other parts of the world, in February 2003, Beijing finally backed down and acknowledged such an outbreak existed. In mid-March, the WHO issued a global health alert about a new infectious disease of unknown origin in Hong Kong, Vietnam, Singapore and Canada. Even then, China was still reluctant to provide any information about the outbreak and did not allow foreign journalists and experts to have access to the outbreak regions. The Chinese government eventually yielded to international pressure and granted permission to WHO experts to visit China in March, but only allowed them to visit Beijing and not Guangdong, the epicentre of the outbreak. After China provided official figures of the outbreak, however, WHO started to include Guangdong in its global health alerts and travel warnings. And on 3 April, WHO experts arrived in Guangdong to investigate the outbreak and its origins.1

When Hong Kong became overwhelmed by the outbreak in March 2003, epidemiologists in the city’s public health institutions worked with their counterparts at the WHO and the Center for Disease Control (CDC) in the USA to figure out the nature and transmission mechanism of the virus. The WHO coordinated global surveillance of the virus and issued guidelines about preventing its spread (Mackenzie et al., 2004). As the virus was spread by infected persons who showed symptoms of fever after the incubation period, body temperature screening at border crossings was recommended to halt the spread. Strict quarantine of the infected was also recommended (Ho, 2003).

Despite these general guidelines, governments around the world reacted to and handled the epidemic differently. The US government never closed its borders to regions affected by the outbreak but adopted stricter body temperature screening on passengers coming from those areas. Anyone with a fever was tested for the SARS virus and put into quarantine if the result was positive (CDC, 2005, 2013). The CDC provided a lot of information,

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1. For a timeline of the outbreak, see WebMD (2003) and WHO (2003); on the global response to SARS, see Hung (2004).
expertise and other resources to help affected regions to contain the virus. Canada and many European countries also followed this globalist approach to contain the virus (St John et al., 2005), but many other countries adopted a more restrictive approach, closing their borders against anyone travelling from the outbreak areas. Many Asian countries, in particular, chose this option (Hung, 2004; McKercher and Chon, 2004).

The SARS virus had a fatality rate of above 10 per cent (Fung and Yu, 2003), but it proved to be less contagious than originally thought, as the virus was not airborne and could only be transmitted in droplets. In the end, the globalist approach to containing the virus through the screening of travellers, rather than wholesale border closures, proved effective. There was no major outbreak in the US despite uninterrupted travel flows from the outbreak regions. After aggressive measures to screen and test residents with symptoms and to quarantine the infected, the pandemic had subsided around the world by June 2003.

With a rise in new epidemics in the context of globalization, global public health experts have been warning for some time about an imminent global pandemic as contagious and deadly as the 1918 Spanish flu. The SARS crisis concentrated minds in the global public health community and constituted a turning point in global public health governance. Since its inception, the WHO has been caught between wealthy donor countries that demand certain health governance standards, to their own advantage, and developing countries that seek a more egalitarian global order of public health (Cherov, 2012). The SARS crisis had the potential to widen the divide within the organization between the global North and the global South, but in the aftermath of the SARS epidemic, it seemed that North–South and East–West rifts had been healed. US–Chinese cooperation in sharing information and research on epidemics increased after SARS (Bouey, 2020). Chinese and Western epidemiologists developed projects and built labs to jointly study the SARS virus, and coronaviruses in general, to prevent future outbreaks. The WHO, the US medical establishment, networks of medical scholars supported by pharmaceutical companies (through NGOs such as EcoHealth Alliance, to which we will return below), and state-sponsored virus labs in China such as the Wuhan Institute of Virology, were all involved in this post-SARS international collaboration.

Another major change was a significant deepening of China’s participation in the WHO. It increased its financial contribution to the WHO and used its influence among developing countries to become the king maker in the selection of WHO’s leadership. It successfully made its candidate, Margaret Chan, Director-General of WHO from 2006 to 2017.² The power and legitimacy of the WHO in seeking information about new infectious diseases from national governments, and in coordinating international efforts

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² Chan was Director of Health in the Hong Kong Special Administrative Region from 1997 to 2003, including during the SARS outbreak.
to contain such diseases, rose (Christensen and Painter, 2004; Goldizen, 2016). This heightened legitimacy of global health’s governing institution and China’s increasing involvement in it reflected the growing US–China cooperation and China’s increasing participation in global governance over many other issues, in the context of the China boom and US–China economic integration. This closer integration has been dubbed the ‘Chimerica’, or G-2 formation within the global order. But as we shall see in the next section, this emerging global governing structure was insufficient to prevent the COVID-19 outbreak. Instead, the structure itself was shattered amid the latest pandemic.

The Global Financial Crisis, 2008

Long-lasting governance models and global institutions often emerge from responses to global crises. Keynesian economic planning arising from the Great Depression and the United Nations system in the aftermath of the world wars are two of the most prominent 20th century examples. Just as the SARS crisis of 2003 contributed to the structure of global public health governance in the subsequent years, the global financial crisis in 2008 and the US response to it fostered a global template to weather any sudden economic turmoil. It is exactly this template that drove the governmental remedies to arrest a free fall of the global economy during the COVID-19 outbreak across major economies of the world. When the US financial market started to unravel following the collapse of the Lehman Brothers in autumn 2008, the impact quickly spread to all other major economies of the world. The US Federal Reserve and US government resorted to large-scale monetary-fiscal stimulus — an expanded version of the stimulus with which Washington tried to jump-start the economy after the collapse of the dot-com bubble and the 9/11 terrorist attack in 2001 (Neely, 2004).

Ever since the establishment of monetarism as economic orthodoxy and the rise in the 1980s of the view that it was the responsibility of central banks to control inflation through tight monetary policy, there has been a concern that any fiscal and monetary expansions would bring back 1970s-style out-of-control inflation. The dominance of monetarism as an economic doctrine had disappeared by the 1990s, but the monetarist assumption that fiscal spending and money supply growth will bring high inflation and little real growth in economic output still prevails in many public policy discussions.

In the early 2000s, after a brief interlude of a balanced budget in the Clinton era, the US government deficit started to soar again under George W. Bush. When the Federal Reserve under Alan Greenspan started its campaign to stimulate the economy by cutting the interest rate, many politicians and economists began to warn of 1970s-style runaway inflation (e.g., The Economist, 2004). The more aggressive monetary and fiscal stimulus adopted in response to the global financial crisis of 2008 — measures
initiated by the George W. Bush government and continued by the Obama administration — naturally provoked the same predictions about runaway inflation from the right (e.g., Ferguson, 2011). While opposition to such a fiscal-monetary policy did not threaten the stimulus programme in the US, it did effectively inhibit many European governments from introducing aggressive stimulus packages. Instead, many of them adopted austerity measures at the height of the crisis (Blyth, 2015).

The inflation predictions of the early 2000s and after the post-2008 stimulus turned out to be wrong. The US economy bounced back from 2010 onwards. Instead of runaway inflation, the recovery was accompanied by weak price growth, to the extent that deflationary pressure became a risk to the sustained recovery (Elwell, 2010). Policy makers in Washington and around the world were puzzled by the mismatch between economic reality and monetarist orthodoxy (CBS, 2017; IMF, 2017a, 2017b; Yellen, 2017). This mismatch led to the revival of the labour theory of inflation, which argued that the fundamental cause of high inflation in the 1970s was the wage-price spiral, underpinned by the strength of organized labour. Oil shocks, loose monetary policy and government deficit spending alone would not fuel sustained inflationary pressure unless organized labour secured irreversible wage gains. What ended the inflation in the 1980s was the great disempowerment of labour as a result of anti-union policies and the loss of manufacturing jobs to low-wage countries (Goldthorpe, 1978; Hung and Thompson, 2016; Rowthorn, 1977; Stansbury and Summers, 2020).

With workers’ wage bargaining power curbed, monetary and fiscal expansion in 2000–19 did not trigger a wage-price spiral. While cheap money did not bring much wage growth, it did flow into financial markets to inflate asset bubbles and boost debt-fuelled consumption, which benefited Asian manufacturing exporters, primarily China. It is no coincidence that the period of US monetary-fiscal expansion in the first two decades of the 21st century also saw the rise of China as the workshop of the world. In the 2000s, a significant portion of the large US dollar liquidity created by US monetary-fiscal expansion flowed to China in exchange for its low-cost manufactured exports. While cheap imports from China kept US inflation low, China invested most of the dollars it earned from its export sector into US Treasury securities, effectively financing US fiscal expansion. Naill Ferguson characterized this economic integration between the US (as the world’s consumer of last resort) and China (as the workshop of the world) as a ‘Chimerica’ formation that drove global economic growth (Ferguson and Schularick, 2007). This Chimerica became a bedrock of the US and global recovery from the financial crisis. China’s low-cost manufactured exports helped keep organized labour in the US and elsewhere in the developed world at bay, enabling the US monetary-fiscal stimulus to work without fuelling inflation (Acemoglu et al., 2014; Cynamon and Fazzari, 2016; Hung, 2015).

Also hit hard by the global financial crisis, many European countries were more sceptical of the virtue of monetary and fiscal stimulus. Many adopted
an austerity programme at the height of the crisis, but these austerity measures turned out to be destabilizing, as they delayed the economic rebound and created widespread social discontent and unrest, with unemployment soaring (House et al., 2017). Europe's struggle under austerity and the US success in recovering through large-scale fiscal-monetary expansion without runaway inflation fomented a new consensus among economic policy makers. This consensus was that bold fiscal and monetary stimulus is a necessity during the emergence of an economic crisis, and has few negative consequences. It laid the ground for the collective aggressive fiscal-monetary response to the economic free fall caused by the COVID-19 pandemic among all major economies in 2020.

GLOBAL HEALTH GOVERNANCE IN CRISIS

At the onset of the COVID-19 outbreak in China in late 2019, Beijing's knee-jerk reaction was to cover up the outbreak and to dismiss any questions about a mysterious epidemic as baseless rumour, as it did in the early phase of the SARS outbreak in 2003. Credible confidential government documents obtained by the media later showed that the government knew of the first confirmed case as early as 17 November (South China Morning Post, 2020), and that it knew of the first confirmed cases of human-to-human transmission in late December (Caixin, 2020). The Chinese government ordered a cover-up from the beginning, destroying all tested samples and muffling any whistle-blowers who tried to warn their fellow Chinese citizens and the world about what was happening (Feng, 2021).

However, a cover-up became increasingly difficult after the Chinese authorities put all of Wuhan and Hubei into lockdown on 23 January 2020. All transportation connections with Hubei were blocked, and all residents were barred from leaving (Fang, 2020). Western governments and media, led by the US, criticized China for a lack of transparency in the face of a new disease with a potentially global impact. As international public opinion started to blame China for letting a new epidemic get out of control and turn into a pandemic, the Chinese Communist Party (CCP) saw the propaganda work needed to deflect blame as a key battle, just as important as fighting the disease itself. A global narrative war about who was responsible for the crisis ensued. On 3 February 2020, for example, Xi Jinping made a speech to the CCP Politburo Standing Committee and emphasized the importance of ‘taking the initiative to influence international opinion’ about the epidemic. Since then, Chinese official media has been diligently criticizing foreign governments and media that seek greater transparency about

3. See ‘Xi Jinping Speech in the Politburo Standing Committee about the works in response to the novel coronavirus’: www.xinhuanet.com/politics/leaders/2020-02/15/c_1125578886.htm (in Chinese).
the disease from the Chinese government, labelling them as overreacting and racist.

While the WHO had pressed China to be more transparent during the SARS outbreak, and was key to eventually making China open up about that epidemic, the years of Beijing’s top-level involvement in the WHO, including having its candidate, Margaret Chan, serving as the organization’s Director-General from 2006 to 2017, meant that the WHO was less assertive in pressuring China in the early days of the COVID-19 outbreak. Despite Beijing’s drastic domestic lockdown measures, the WHO continued throughout January and February 2020 to tell the world not to overreact, issuing assurances that there was nothing too serious about the virus (CNN, 2020; Xinhua, 2020).

The US and other governments in the world, however, did put pressure on the Chinese government to disclose what it knew about the virus, given Beijing’s draconian lockdown measures in Wuhan and Hubei. On 31 January, the US government announced it would stop admitting any travellers from China into the country from 2 February. The Chinese government instantly attacked this decision and similar travel restriction policies adopted by other countries as ‘violating civil rights’, ‘excessive’ and likely to ‘create and spread panic’. Beijing mobilized its global propaganda machine, rejecting any doubt about its handling of the virus as anti-China racism. 4

In the early days of the pandemic, the WHO took the same line as Beijing regarding the severity of the new virus and guidance about controls. As late as the end of February, the WHO was adopting China’s stance on the virus and its criticism of international travel restrictions, with WHO officials and experts claiming that there was no evidence pointing to human-to-human transmission and advising against any travel restrictions or suspension of economic activities — even after Beijing had started implementing such practices itself to contain the domestic spread of the virus in late January (Corcoran, 2020). In a press conference on 29 February, the WHO stated that it ‘continues to advise against the application of travel or trade restrictions to countries experiencing COVID-19 outbreaks’ (WHO, 2020). The WHO also held off declaring the COVID-19 epidemic a global pandemic until as late as 11 March.

In retrospect, it is obvious that travel restrictions are a necessary and efficient means to slow down the international spread of a virus such as COVID-19. The strategy used to contain the SARS epidemic in 2003, which relied on screening travellers’ body temperature rather than restricting travel, did not work with COVID-19, given the widespread occurrence of asymptomatic infections. Genetic sequencing research shows that the first cases

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4. See, for example, the online daily briefings of China’s Foreign Ministry spokesperson, Hua Chunying, on 3 February (http://hk.oicma.gov.cn/eng/jbwzlm/zgwjsw/202002/t20200202_8114379.htm) and on 6 February (http://hk.oicma.gov.cn/eng/jbwzlm/zgwjsw/202002/t20200206_7874945.htm). See also Blatt (2020); Dallas Morning News (2020).
of COVID-19 in Europe and the US entered from China as early as mid-January, when Beijing was still covering up the true nature of the outbreak and assuring the world nothing serious was unfolding (Regalado, 2020). The denials by China and the WHO early on delayed the global response. The world did not understand the severity of the situation until late January/early February. Italy banned flights from China on 31 January, and on 2 February the US banned the entry of foreign nationals who had visited China in the preceding 14 days. Had Beijing been transparent about the virus from the beginning, in late December, and had it immediately adopted the aggressive quarantine measures that it took later, the outbreak could have been effectively contained locally in Wuhan. The rest of the world would have been quicker to restrict travellers from China, and the global spread of the virus could have been mitigated, or even prevented (Bloomberg, 2020; Reuters, 2020).

The use of epidemic modelling to construct a counter-factual scenario shows that if Beijing had admitted the human-to-human transmission capability of the virus and enforced non-pharmaceutical interventions (lockdown and travel bans) one week, two weeks, or three weeks earlier than it actually did (23 January 2020), cases in China could have been reduced by 66 per cent, 86 per cent and 95 per cent, respectively (Lai et al., 2020). This would also have given governments worldwide a better chance of containing the virus and preventing it from becoming a pandemic on the scale that we have witnessed. For their part, many Western governments, particularly that of the US, mismanaged the epidemic after it had become a pandemic, and cannot escape responsibility for the disasters that unfolded once the virus reached their jurisdictions. The Chinese government demonstrated a much-enhanced capacity — compared to its handling of SARS back in 2003 — in containing the spread of the virus through drastic monitoring and control measures. However, the bureaucratic inertia, cover-up and denial early on cost Beijing and the world precious time to act and prevent the pandemic in the first place (Christensen and Ma, 2021).

In contrast to most other countries, and despite its proximity and intensive economic and social exchanges with China, Taiwan successfully prevented a major outbreak, and the total number of cases as of 16 March 2020 stood at 67. This was nothing short of a miracle (Chen, 2021). One key to Taiwan’s success is that the Taiwanese government did not trust the words of Beijing and the WHO from the beginning (Yip, 2020). Taiwan treated the rumours about a mysterious new disease in Wuhan seriously, despite denials from Beijing and the WHO. It acted early and decisively. Taiwanese authorities began screening plane passengers coming from Wuhan from 31 December 2019, banned Wuhan residents from entering Taiwan on 23 January 2020, and suspended all tours to China on 25 January.

As noted above, Beijing framed any attempt to link the global pandemic with China’s initial cover-up as hostile, racist, anti-China rhetoric, aimed at diverting the world’s attention away from Western governments’ failures in
handling the disease. The US accused Beijing of being responsible for the emergence of a global pandemic through its early cover-up, and accused the WHO of aiding Beijing in this. The trading of accusations led to the intensification of a rivalry between the US and China which had started well before the pandemic. It also created an atmosphere that eroded trust in the Chinese government and the WHO worldwide, as shown in a global public opinion poll (Silver et al., 2020). This context of rising international rivalry and hostility made all subsequent discussions pertinent to establishing a new protocol of global epidemic governance significantly more challenging.

THE VIRUS ORIGINS DEBATE AND ESCALATING US–CHINA RIVALRY

Intensifying US–China rivalry in the midst of the pandemic has not only made international collaboration in global epidemic management more challenging, but has also hampered scientific efforts to identify the origins of the COVID-19 virus. Such efforts are essential to the prevention of new outbreaks in the future. In the early days of the epidemic, there was a common belief among scientists and the media that the virus, like the SARS virus in 2003, had emerged naturally through a mutation of a virus that jumped from an animal to humans and acquired human-to-human transmission capability. The genetic sequence of the COVID-19 virus, like many coronaviruses, closely resembles those found in wild bats in Southwest China and Southeast Asia (Mallapaty, 2021). The dominant theory is that the original animal carriers were wild animals traded in Wuhan’s South China Seafood market. Wild animals sold in the market include raccoon dogs, hedgehogs, weasels, badgers, civets, bamboo rats and many others. The animal carrier might have gotten the virus from a bat before being transported to the market for sale. According to the Chinese government’s official account, some of the earliest cases emerged close to the market (Mizumoto et al., 2020).

The assumption was thus that the virus emerged from the South China Seafood market. One of the earliest measures the Chinese authorities adopted to deal with the outbreak was to shut down the market and sweep it clean. At the same time, the proximity to the supposed epicentre of the initial outbreak at the Wuhan seafood market of the Wuhan Institute of Virology (WIV), an institution specialized in studying samples of coronavirus collected in the wild, with the highest level of biosafety security (level 4) — they are less than 10 miles apart — led to the emergence of an alternative theory of the origin of the virus. A strong version of the theory alleged that the virus was bio-engineered in the lab and was deliberately or inadvertently released to cause a pandemic. A weak version of the theory hypothesized that the virus originated in the gain-of-function research that the lab was conducting and was released through a lab-leak accident (Maxmen and Mallapaty, 2021).
While the strong version of the theory lacked substantive evidence to support it, the weak version of the theory was regarded by many virologists as quite feasible (Chan and Ridley, 2021). Gain-of-function research of viruses involves passing a virus collected in the wild through animal carriers in the lab and seeing how it mutates and gains the function of infecting humans (Evans, 2018). This type of research is conducted in high-security labs around the world and has been regarded as dangerous and at risk of creating a pandemic through lab accidents. Such lab-leak accidents have happened from time to time. After disclosing three such accidents in the US CDC lab in the summer of 2014, CDC officials openly pondered the possibility that such an accident would eventually foment a new pandemic (Branswell, 2014; Maron, 2014). In late 2014, the US government suspended funding of all gain-of-function virus research because of safety considerations (Reardon, 2014). After the suspension, virologists continued such research through a collaboration between the US-based private organization EcoHealth Alliance, with zoologist Peter Daszak as its president, and the WIV (Kaiser, 2021).

It was well known before the COVID-19 outbreak that WIV researchers had been collecting coronavirus samples from bats in remote corners of China, bringing the viruses back to Wuhan, and performing gain-of-function research at the WIV. It is also known that the naturally existing coronavirus with a genetic sequence closest to the COVID-19 virus was among the samples collected by the WIV (Zhou et al., 2020). Information obtained by media from US funders of WIV research shows that the Institute has encountered lab accidents. In November 2019, some researchers got sick, supposedly from the pathogens they were working with. The sick researchers manifested COVID-19-like symptoms requiring hospitalization (Gordon et al., 2021). Although this does not constitute direct evidence supporting the hypothesis about the lab-leak origins of the virus, this information does show the hypothesis is at least plausible.

In the early months of the pandemic, before any serious investigations of the origins of the virus had started, a group of 27 leading virologists issued a statement in the journal *The Lancet*, on 19 February 2020, which condemned as pure conspiracy theory any hypothesis about a link between the virus and the WIV (Calisher, 2020). The person drafting and orchestrating the statement was Dr Peter Daszak, the leading virologist involved in gain-of-function research on coronavirus at the WIV (Knapton, 2021). This statement was widely reported and shaped the media discourse supporting the natural-origins theory of the virus. Daszak later became a leading expert in the WHO investigative team that visited China in August 2020 to look into the virus’s origins. The team was not granted full access to the essential data and information and could only interview government officials and scientists approved by the Chinese government. Although the contents of the investigation report did point to the plausibility of the lab-leak origin hypothesis, the report concluded
definitively that a lab-leak origin was not possible and ruled it out altogether (WHO, 2021a).

It was only later that Daszak’s role in WIV’s gain-of-function research, as president of the EcoHealth Alliance, came to light. It was reported that 26 out of 27 scientists signing the *Lancet* statement were connected to the WIV research in one way or another (Knapton, 2021; Matthews, 2021). These revelations provoked an uproar about the failure of conflict-of-interest disclosures among the scientists signing the statement (Eban, 2021; Wade, 2021). The WHO Director-General, Tedros Adhanom Ghebreyesus, contradicted the conclusion of the WHO report at the press conference of the report’s release in March 2021. He emphasized that there had been insufficient evidence confirming either the natural origin or the lab-leak origin theory of the virus. He decided that further investigations were needed, and all hypotheses, including the lab-leak hypothesis, needed to remain on the table (WHO, 2021b).

In May 2021, US President Biden, apparently unsatisfied with the progress of the WHO investigation into the virus origins, ordered the US intelligence community to look into the issue and seek evidence that could prove or disprove either the natural-origin or the lab-leak origin hypothesis. In late August, the US government released the report that concluded the investigative efforts. Other than confirming the virus was not weaponized and bio-engineered, the report was inconclusive as to whether the virus emerged naturally or as a result of some lab-leak accident (Maxmen, 2021).

It is likely that we will never have sufficient evidence to prove either of the hypotheses. The scientific community may remain divided. But the aggressive efforts of the scientists and funders involved in the WIV’s gain-of-function research to stifle any discussion about the possible responsibility of their line of research in causing the pandemic raised concern that the WIV, its US funders, and the scientists involved constitute a powerful global medical–industrial vested-interest group in coronavirus research, which has rebuffed any question of accountability and interfered with future regulation of their risky research. Meanwhile, Beijing views any discussion about the lab-leak hypothesis as a direct attack on China orchestrated by the US. The Chinese government has been mobilizing its propaganda machine to discredit the hypothesis while denying any foreign investigators access to essential early data on the outbreak (see BBC, 2021; Crossley, 2021). Accusations of Beijing’s responsibility in causing the virus from both the Trump and the Biden administrations, as well as Beijing’s forceful reaction to such accusations, reflect the intensifying US–China rivalry over many other issues, including trade, Taiwan and the South China Seas, which was already evident before the COVID-19 outbreak.

The SARS outbreak enhanced US–China cooperation and increased the global scientific community’s credibility in the governance and prevention of global pandemics. This cooperation and credibility have been significantly damaged in the unfolding of the COVID-19 pandemic that has
provoked intense controversy about the Chinese government’s early cover-up, its possible failures in preventing a lab leak, and the involvement of US health experts and funding sources with the Chinese authorities. The international cooperation and legitimacy of global institutions, above all the WHO, which had arisen as a result of the SARS outbreak, did not prevent the COVID-19 outbreak. The shattering of cooperation and loss of legitimacy of such institutions in the aftermath of COVID-19 are poised to diminish the international community’s capability to prevent and manage any future outbreak.

Ironically, at the same time that the COVID-19 crisis is ripping apart US–China cooperation in the global governance of public health, the fiscal and monetary response to COVID-19 by advanced economies, the US in particular, is sustaining the global economic formation of Chimerica despite the US–China trade war that started right before the pandemic.

FISCAL-MONETARY STIMULUS AND CHIMERICA REBOUND

While the impact of the SARS epidemic on the global economy was minimal and short-lived, the economic impact of COVID-19 has been enormous, as it led to nearly two years of intermittent lockdowns and borders closing across the world. It was estimated that the pandemic would eventually have wiped out US$ 8.5 trillion of global output over two years (UNDESA, 2020). It is much more severe than the impact of the global financial crisis in 2008, which was estimated to have cost US$ 2 trillion of lost GDP growth in the global economy (Merle, 2018).

Armed with the experiences of aggressive monetary and fiscal stimuli in mitigating the global financial crisis in 2008, the US Federal Reserve acted swiftly to lower interest rates and renewed its quantitative easing operation to inject new liquidity into the economy in March 2020, when the COVID crisis first put major cities and key sectors of the US economy into lockdown (Clarida et al., 2021). To make sure this liquidity was not restricted to the US domestic economy, the Fed expanded foreign central bank swap lines and doubled the maximum swapping limit, allowing major economies (Australia, Brazil, Canada, Denmark, the Eurozone, Japan, Korea, Mexico, New Zealand, Norway, Singapore, Sweden, Switzerland and the UK) to have wider access to the US dollar (Aizenman et al., 2021; Milstein and Wessel, 2021). The Fed also established an additional repo facility to allow foreign central banks to borrow US dollars from the Fed, with their treasury bonds holdings serving as collateral. This was to ensure that economies around the world would have sufficient dollars to finance their trade and service their US dollar debt, without selling their US Treasury securities holdings on the open market at the height of the economic stress (Choi et al., 2021). Central banks of other major economies also increased money supply significantly (Cantú et al., 2021).
Alongside this injection of liquidity through the Fed to keep the economy afloat, governments worldwide also implemented fiscal stimulus measures, largely financed by the new liquidity from the central banks, to alleviate the slump in the economy during the widespread lockdowns. In early March 2020, US Congress passed a US$ 1.9 trillion stimulus package that included direct stimulus payments to citizens, a substantial increase in unemployment benefits, and cash assistance to local governments, small businesses and schools to cope with the crisis. Other governments around the world adopted equally, if not more, aggressive stimulus measures.

Many economists wary about inflation tried to make a case for fiscal and monetary restraint. For example, Larry Summers criticized President Biden’s US$ 1.9 trillion stimulus plan for being ‘the least responsible economic policy in the last 40 years’, asserting that it would only ignite inflation ‘of a kind we have not seen in a generation’ (Williams, 2021). We saw earlier that similar predictions about inflation in the aftermath of the global financial crisis in 2008 never materialized, an experience which discredited the warnings this time. Therefore, governments in the US and elsewhere held nothing back in pursuing fiscal and monetary stimulus on a much bigger scale than the measures used in response to the global financial crisis of 2008. It is estimated that the global aggregate of monetary and fiscal stimuli in the spring of 2020 amounted to US$ 10 trillion, a threefold increase on the global aggregate stimulus in response to the global financial crisis of 2008–09 (McKinsey & Co., 2020). By early summer 2020, the total fiscal and monetary stimulus as a share of GDP in most major countries ranged between 10 and 30 per cent, as shown in Figure 1.

As a result of these aggressive stimuli, the US and other major economies rebounded quickly in mid-2020 from the drastic economic decline which began with the lockdowns in March 2020, although the impact of the rebound has been unevenly distributed across classes. It also deepened the global imbalance under the pre-existing US–China economic integration, or Chimerica formation. The scale of the economic bounce back and the aggravated national inequalities and global imbalances that the stimulus brought about, are most vividly represented by the fortunes of US online retail giants such as Amazon.

Although the lockdowns in 2020 resulted in many workers losing their jobs, the fiscal stimulus measures included stimulus payments and elevated unemployment benefits to millions across the developed world. In 2020, US federal spending and monetary supply grew at their fastest rate since the end of World War II (Davidson, 2020; Greenwood and Hanke, 2021). Such fiscal and monetary expansion prevented a collapse in consumption: after an initial fall in spring 2020, US household consumption bounced back and grew by more than 40 per cent in the third quarter of that year. Such a boost in consumption was common across the developed world in the latter half of 2020. Online retailers have been the biggest beneficiaries of this consumption boost, while many physical retail stores and the service industry were
hit hard by disappearing demand. The revenues and net profits of Amazon grew by 38 per cent and 84 per cent, respectively, in 2020 (Kohan, 2021). At the same time, Amazon workers got an average pay increase of only 6 per cent, including extra hazard pay and bonuses (Kinder et al., 2020). This disparity of growth between corporate profit and workers’ wages clearly reflects how the benefits of the monetary and fiscal stimulus are distributed unevenly between capital and labour.

The global economic formation of Chimerica, though strained by the US–China trade war on the eve of the pandemic, was strengthened under the COVID stimulus. The example of Amazon is illustrative again. Measured in gross merchandise value, 40 per cent of sales through Amazon are directly from Chinese vendors. During the pandemic of 2020, 74 per cent of new sellers on Amazon were from China (Market Place Pulse, 2020, 2021). More generally, Chinese electrical appliance exporters saw a surge in orders from the US and elsewhere that they could barely manage (Zhou, 2021). A large part of the stimulus-fuelled consumption spending in 2020 thus went to China. It is not an accident that in the midst of the pandemic, the US trade deficit in general and the deficit with China grew again after a temporary reduction following the inception of the US–China trade war in 2018 (Scott, 2021; see also Figure 2).

The boom in the Chinese economy after its accession to the World Trade Organization in 2001 was largely driven by the vast US dollar liquidity in
the global economy that China’s export engine absorbed. With an army of disciplined and low-cost, rural-origin labour not protected by independent unions, Chinese factories exported a whole range of consumer goods at a fraction of the US cost. The rise of China’s export engine contributed to the exploding US trade deficit with China and the loss of between 2 million and 3.7 million manufacturing jobs in the US (Acemoglu et al., 2014; Scott and Mokhiber, 2020). The extent of job losses underlined the ongoing disempowerment of organized labour and contributed to the low inflation of the 2000s, despite fiscal and monetary expansion. It also led to rising inequality and increasing resentment against free trade in the US and other developed economies. This fomented the politics of the trade war against China in both the Left and the Right, eventually precipitating Trump’s China tariffs that continued into the Biden administration.

The Chimerica formation enabled a substantial portion of cheap money created by the Fed to become China’s ballooning foreign exchange reserve, denominated mostly in US dollars. Beijing has converted a large part of this foreign reserve into its outward investments, loans and purchase of commodities in the developing world (Horn et al., 2019; Hung, 2020). This has allowed Beijing to expand its influence in the developing world at the expense of Washington, converting US allies to Beijing’s position on various
contentious geopolitical issues, and allowing Beijing to offer lifelines to internationally sanctioned regimes such as Iran and Russia. This extension of China’s geopolitical influence, on top of the trade war politics, was the impetus for the intensification of US–China geopolitical rivalry despite the integration between the two economies during the 2010s (Hung, 2022).

The US–China trade war and heightened geopolitical rivalry under the Trump presidency led many to predict the end of Chimerica (see, for example, Barboza, 2020). But the large-scale fiscal and monetary stimulus rolled out by the US as a response to the COVID-19 crisis further deepened US–China economic integration and increased the US deficit with China. It delayed US–China decoupling despite the ongoing trade war and the call for manufacturing reshoring to the US.

CONCLUSION

The COVID-19 crisis, still unfolding at the time of writing, is poised to have profound impacts on the political-economic order of the global system in the years to come. It has disrupted some aspects and consolidated other aspects of the global status quo that emerged in the 2000s.

At the beginning of the SARS outbreak in 2003, the Chinese government was secretive and reluctant to admit an outbreak. It refused international investigation and divulged little information. When the outbreak turned global, and under sustained pressure from the WHO and the US, Beijing came to adopt a more cooperative approach towards the international community and mobilized the full force of the state to get the virus under control domestically. In the aftermath of the SARS crisis, Beijing became more engaged and proactive in global public health governance. It expanded its participation and influence in the WHO, and Chinese public health scientists and officials joined many international projects on the research and prevention of epidemics, particularly those related to coronavirus.

However, this increased Chinese engagement with the governing institutions of global health did not stop the outbreak of the COVID-19 epidemic, nor prevent it from becoming a full-scale global pandemic. The Chinese government was as secretive about the outbreak initially as it had been during the first phase of the SARS outbreak. With increased Chinese influence over its leadership, the WHO did not give the world an early warning about COVID-19 and did not put pressure on China to be more transparent in the early days of the outbreak. Rather, the WHO relayed the Chinese government’s message that underplayed the severity of the outbreak and denied the potential for human-to-human transmission until after February 2020. This delayed the world’s preparedness for the new virus until it had already spread globally. Beijing’s continuous efforts to hide crucial information essential to the investigation into the virus’s origins, as well as the increasing suspicion in the international community about the outbreak’s connection to
a plausible lab accident in a state research institution in Wuhan, created increasing mistrust and animosity between China, the WHO and the US. This mistrust shattered the international cooperation and governing framework that had emerged in the aftermath of the SARS epidemic. It added oil to the fire of US–China rivalry that was already intensifying before the pandemic. It is likely that international cooperation involving China in monitoring, researching and preventing future outbreaks of new global pandemics will be much more challenging in the wake of COVID-19.

Parallel to this disruption of the pre-existing framework of the global governance of public health, however, the COVID-19 crisis consolidated other aspects of the global order. The practice of weathering economic storms through aggressive fiscal and monetary stimulus was established as a standard response to the free-falling economy in the aftermath of the 2008 global financial crisis. Since the end of the stagflation crisis across developed countries in the 1980s, the neoliberal doctrine of austerity had been dominant. The successful recovery of the US economy after the 2008 global crisis under an aggressive fiscal-monetary stimulus regime, which did not cause high inflation thanks to US–China economic integration, helped discredit the austerity orthodoxy. It established the new standard of bold stimulus in the face of economic downturn.

Under this new doctrine, governments of major economies simultaneously and swiftly pursued liquidity injection and deficit spending to prop up consumption and make up the lost income caused by massive unemployment resulting from the COVID-19 lockdowns. In late 2020 and 2021, the largest economies of the world bounced back significantly (Giles, 2021). Such rebounds also facilitated the recovery of the developing world, as much of the stimulus money turned into orders for manufactured products from export-oriented developing countries, above all China. Despite the US–China trade war and worries about a decoupling of the two economies, global trade in general and US–China trade in particular recovered rapidly in the second half of 2020 and surpassed the pre-COVID-19 level (Swanson, 2020). The global economic formation founded on the integration between financialized, consumption-driven developed economies led by the US and export-oriented developing countries led by China was further consolidated.

With the COVID-19 crisis still unfolding, it is too early to draw conclusions about its long-term impact on the global order. The 2000s saw the advancement of global governing institutions and global cooperation and economic integration between financialized consumers in the global North and productive exporters in the global South. The impact of the COVID-19 crisis on this structure has been contradictory, severing the former element but enhancing the latter. The extent to which declining global political cooperation and deepening global economic integration could go hand in hand remains to be seen. The future of the global system will likely become ever more uncertain and unstable under the contradictions and disjunctions between the politics and economy of the system.
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