

# COVID-19 and the Death of Market Fundamentalism

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|| “For many, the current system has failed to deliver health, wellbeing, and prosperity. Now that the lack of resilience in the ‘old’ system has been revealed, alongside our ability to mobilise vast sums of money and resources when the economy is at risk, expectations will have been raised about what else is now possible in the face of other crises”.

Dame Polly Cour-  
tice- Director of  
the University of  
Cambridge Insti-  
tute for Sustaina-  
bility Leadership

On top of the countless human tragedies, there will be many long-lasting social and economic impacts of the COVID-19 pandemic. Perhaps none will be more profound though, than the death of free market fundamentalism and the return of the State.

Why now? After all, there have long been moral, social and environmental risks posed by an unfettered market. Risks that present a strong case for action by the State – with inequality and climate change being the two most glaring examples. It didn’t help.

This is different. COVID-19 presents a blindingly powerful *economic* case for change. It shows that an ideological, quasi-religious approach to regulating markets, sometimes called neo-liberalism and, until the virus, the dominant political approach in the west, is fatally flawed. It creates a weak and unstable economy, which magnifies risks and is unable to manage shocks<sup>1</sup>. It threatens itself.

Of course, a pandemic would always have had a very large and disruptive economic impact. However, we can already see that those countries with a coherent, competent, respected and well-resourced State – everything market fundamentalists have sought to undermine – are likely to have both lower economic *and* human cost.

Thus, market fundamentalism is no longer even in the interests of the corporate sector or the financial elites. It creates unmanageable *economic* risks and ultimately poses an existential risk to capitalism, as argued by Nobel Prize winning economist, Joseph Stiglitz<sup>2</sup>. Therefore, any corporate or finance leader who continues their knee jerk support for actions to ‘free up markets’, ‘reduce taxes’, to ‘get government out of the way’, will now know the consequences.

This is not about being for or against ‘the market’ or the ‘corporate sector’. It is not about ‘curbing corporate power’ or developing ‘an alternative economic system’. Capitalism, correctly defined and well managed, can be a powerful and effective *component* of an intelligently designed, democratic and fair society.

However, what has clearly failed is seeing markets as a kind of pure ideology. This type of extremist fundamentalism is just like Islamic fundamentalism that encourages terrorism, or Christian fundamentalism that oppose science. Fundamentalism drives a thoughtless, evidence free corruption of the original idea.

Markets at their core *can* work. When well-regulated, they are an efficient and effective way to organise certain activities. They are a useful *part* of a system - but are not a system in themselves. Left alone they do not solve all problems nor meet all social needs. That is why the return of the State is key to building a stable economy. As that bastion of capitalism, the [Financial Times](#), argued in a recent editorial:

*"Radical reforms — reversing the prevailing policy direction of the last four decades — will need to be put on the table. Governments will have to accept a more active role in the economy. They must see public services as investments rather than liabilities, and look for ways to make labour markets less insecure. Redistribution will again be on the agenda; the privileges of the elderly and wealthy in question. Policies until recently considered eccentric, such as basic income and wealth taxes, will have to be in the mix."*

I am not naïve to the fight back that will come. Proponents of market fundamentalism will desperately try to claw back government spending and fight against the inevitable push for higher taxes and stronger services. This fightback must be opposed. But to be successful such opposition will need to include – perhaps even be led by – many of those same powerful elites that previously advocated, or at least turned a blind eye to, the market as an ideology.

Why would they do so?

Firstly, they will have the consequences of the failure to manage economic risks seared into their memories by COVID-19. But many will also recognise that this is just the first of many risks on the way that are, like the virus, completely predictable based on solid scientific evidence<sup>3</sup>.

Rather than an unexpected "black swan" event, the virus is just the first in a [herd of stampeding black elephants](#) racing towards us: climate change, ecosystem breakdown, deforestation, water shortages, food crises triggering geo-political conflict, ocean acidification, inequality and many more. These will impact the global economy like a rolling series of COVID-19 viruses, with no vaccines possible, and lasting for decades. [The Great Disruption](#) is now clearly underway.

This is the future our economy will need to be managed through. The return of the State and a well-regulated market economy will be the only chance we have to do so.

COVID-19 gives us clear evidence that market fundamentalism is a failed economic strategy. Interpreting markets as an ideology or quasi-religious belief system, results in unmanageable and systemic economic risks. Any corporate or financial system leader who doesn't now become an advocate for a strong, well-resourced and respected State, decent taxes and a strong social safety net, will share responsibility for the decline of capitalism.

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<sup>1</sup> In a [2016 article](#) George Monbiot provides a thorough overview of the ideology of neoliberalism and its role in a variety of crises that destabilised economies. These include the 2007-8 Global Financial Crisis; the offshoring of wealth (e.g. [Panama Papers](#)); the decline of public health and education; resurgence of child poverty; an epidemic of loneliness; the collapse of ecosystems and the rise of Trump.

<sup>2</sup> Joseph Stiglitz, Nobel Prize in Economics and World Bank Chief Economist, has long warned that Market Fundamentalism threatened economies and Capitalism. He [now argues](#) in 'People, Power, and Profits – Progressive Capitalism for an Age of Discontent', that the American system of capitalism has fallen down, driven by widened economic inequality and increased concentration of market power among leading firms in every sector, slowing down broad-based productivity growth. He argues that most of our society's problems, from the excesses of pollution to financial instability and economic inequality, have been created by markets and this is far removed from the growth and innovation a Capitalist system is intended to drive.

<sup>3</sup> Professor Andrew Cunningham, of the Zoological Society of London [advised](#) that "The emergence and spread of COVID-19 was not only predictable, it was predicted [in the sense that] there would be another viral emergence from wildlife that would be a public health threat". A [2007 study](#) of the 2002-03 SARS outbreak published in the Clinical Microbiology Review concluded "The presence of a large reservoir of Sars-CoV-like viruses in horseshoe bats, together with the culture of eating exotic mammals in southern China, is a timebomb."