With the outbreak of the novel coronavirus, the world economy has come to a grinding halt. The economic fallout would be enormous in terms of loss in production, income, and employment. The COVID-19 pandemic has caused major ruptures in the world system, which has serious implications for global accumulation of capital. It, therefore, presents an opportunity to reimagine the global division of labour and the international economic architecture.

It is already a cliché to say that 2020 would be the beginning of a new era, which divides history into pre- and post-COVID-19 pandemic periods. The divide may not be as sharp as we see now from the midst of the tragedy. But, if the pandemic persists for about a year or so, it would have already caused enough ruptures to demand major readjustments in the way we look at the world, do things for the present, and imagine the future. The cumulative loss over 2020 and 2021 from the pandemic, according to the International Monetary Fund (IMF) projections (Gopinath 2020), would be around $9 trillion. According to the same set of estimates, global economic growth in 2020 is likely to fall to -3%. It is a downgrade of 6.3 percentage points from the projections made just three months ago in January 2020. The World Trade Organization (WTO 2020) projects a decline of 13% to 32% in world trade in goods in 2020. Obviously, the crisis has unsettled the existing modes of exploitation and global accumulation. It, therefore, presents an opportunity to reimagine the global division of labour and the international economic architecture. Obviously, there will be a stubborn resistance to change in order to protect the status quo. But, the persistence of the pandemic would make rearrangements inevitable. The article is an attempt to map some important possible directions of imminent change.

The point of departure set here and in the title of the paper, admittedly, is a bit too ambitious. The purpose is to ensure that the big picture is not lost sight of. The issues related to the state and the economy will be examined mainly from the vantage point of global accumulation of capital. The framework of global accumulation of capital is preferred because of the overwhelming influence it would have on the shape of things post-pandemic.

The idea of the global village, if interpreted carefully, would help us characterise the present global division of labour and the underlying phenomenon of global accumulation of capital. Globalisation has shortened distances. It has scaled down all forms of policy barriers to intra-national and international movement of goods, services, capital, labour, knowledge, technology, data, and so on. As a result, the global division of labour has become extremely intense and the world highly interdependent. International specialisation and trade are not anymore restricted to final goods. Instead, the production process itself is internationalised and globalised. A final product is produced with the involvement of a large number of locales distributed across several countries. The global value chains now travel across countries and continents.

The village unlike the city, for many of us, is a place of all imagined virtues. The metaphor of the village, however, should not mislead us as to the unequal and undemocratic ways in which the global village is governed. The global village is built to further the cause of accumulation on a world scale. Even in a historical feudal village, surplus is produced and appropriated. In the global village, the mode of extraction as well as appropriation of surplus are modern and executed on a global scale. We shall return to this point later.

It is of immense significance at this point of time that the COVID-19 pandemic has caused major ruptures in the world system. COVID-19 is forcing nations to live in autarky, an unimaginable laboratory setting to reimagine international and interregional division of labour in the post-pandemic world. The crisis, therefore, presents an opportunity to delink and relink with the world system after redefining the roles and terms of integration. Metropolitan capital would like to rebuild the world in a more unequal manner, compensating even for the loss they suffered during the pandemic. For developing nations, it is an opportunity to restructure the global architecture as well as redefine their roles in it. But, how the system would be rebuilt and who would gain or lose will depend on the outcome of the competitive struggle among different players. The intellectual community in the developing nations has an important responsibility in ensuring equitable...
outcomes in the ensuing wrangle over rearranging the world order.

**Global Accumulation**

Under the hegemony of finance capital, all other interests in the society are subjugated to the interest of the capital in general, and international finance capital to be specific. The interests of the finance capital are supreme and everything else follows in a descending order, that is, global monopolies, regional monopolies, and capital in general, located everywhere. The hierarchy of privileges arranged spatially from concrete locales to the abstract global had an important role in making the structure of accumulation enduring. It was good enough to unite the capitalist class everywhere.

The interstate system, through a variety of means, ensured that the nation states did not deviate from the dictates of international finance capital. In fact, the nation states, especially those belonging to the national finance capital, in many cases, followed in a descending order, that is, sovereignty, public welfare, and public debt had played a very important role in economic development, and of course, development of capitalism, in the present-day developed countries. The governments are not allowed to borrow for the fear of inflation and devaluation of the host country currency.

It is as if the countries and the citizenry existed primarily for serving the interests of finance capital. Nothing is accorded more importance than the so-called investor’s confidence. The austerity measures, which assumed severe notoriety, prevented countercyclical interventions. The fiscal conservatism that it entailed has severely constrained the ability to make public investment in physical infrastructure, education, research and development, national innovation systems, public distribution, public health, and so on. Incidentally, the COVID-19 pandemic has exposed the vulnerability of the strategy of liberalisation and privatisation of public services, especially public health and public distribution.

Global economic governance until recently was concerned primarily about border measures (such as tariffs, quotas, and visa restrictions) that affected international movement of goods, services, capital and labour. The process of globalisation, especially during the past few decades, has scaled down the border measures significantly. The focus of global economic governance, therefore, has shifted towards internal/domestic policies of nation states and subnational governments. The demand for coordination of domestic policies implies extension of the system of global governance into new areas. Intellectual property rights, competition policy, sanitary and phytosanitary measures, labour standards, environmental standards, government procurement, and so on, are some such areas to which the global governance system is extending its arms. In many of these new areas, the nation states are forfeiting important elements of their sovereign power to the global governance structures/supranational agencies.

**Democracy in Peril**

What is at stake is not just the sovereignty of nation states. It raises more fundamental questions such as that of democracy and human dignity. The ritual of voting and election of governments is fast losing much of its meaning. The sovereign responsibility of governments is being reduced to that of ensuring the best bargain for the big investors. People of the city/country are free to raise issues they consider important such as plight of workers, peasants and small producers, poverty, environmental degradation, etc. But, the governments they elect are not free to address such questions lest it will ruffle the feathers of capital, which will fly away at the slightest of provocations.

The forces of globalisation have drained the policy space left to the nation states even in the case of internal/domestic policies. Nation states have much less space now in using border measures to restrain monopoly power of transnational firms. They can gain access in most markets without having to answer questions on their market power. Further, they can enter national markets in the form of foreign direct investment (FDI). Even in the case of FDI, the policy space available to the nation states is limited because of heightened competition among them to attract investment. In the context of such competition, interests of the monopoly capital are gaining precedence over all other interests such as that of livelihood of petty producers, labour, environment, local culture, and so on. The nation state and regional governments find it difficult to impose environment and labour standards because it will provoke capital and could drive them away. The helplessness of nation states reaches its zenith when dealing with the most volatile segment of capital such as foreign institutional investors (FIIs). National policies that disturb the “feel good factor” of the FIIs can land the country in a financial mess and possibly, also in an economic crisis.

**Economic Crisis**

The economic crisis of 2020 notably is of a different genre. It is significantly different from normal crises arising out of the laws of motion of the economy. Evidently, the present crisis is the handiwork of novel coronavirus. It came primarily due to the fear for life, a fear that affected every human being, the most privileged as well as the most deprived.
The world over, governments have decided to stop production of what should be referred to as the material conditions for human existence. Profit-driven atomistic agents of the market would not have been able to stop all engines of the world economy at once. The economic reality, however, has a role to play. First, the lightening spread of the disease across the world would not have happened in the absence of the very high degree of global economic integration and the consequent boom in the international movement of people. The threat of such pandemics breaking out in the future would encourage the community of nations to reorder the international division of labour so that such threats are contained and overcome with minimum damages. Second, as we see subsequently, political economy will have a bearing on the possible paths of economic recovery.

The heterodox economists were predicting the setting-in of an economic recession throughout 2019, much ahead of the onslaught of the covid-19 pandemic. And for most of them, demand deficiency was the main villain. They have also been providing a fairly neat hypotheses on the lines of causation linking unprecedented growth in inequality of income as well as wealth since the neo-liberal turn, lower marginal propensity of the rich to consume, over-accumulation, deprivation of the poor—the majority of whom tend to spend and consume more from every unit of income, demand deficiency, stockpiling, and recession. But hardly anybody who mattered, listened. The policy orthodoxy in poor as well as rich countries as usual was worried more about possible inflationary consequences of the measures to boost demand, their dampening impact on investor's confidence and foremost, the threat of capital flight. But these are all stories of the past. At present nations are competing among themselves to announce the largest possible bounty to boost demand and revive the economy.

But, the real causes of the present crisis are not located on the demand side. The economy is shut down. All supply taps are closed by the decree of the ruling regimes. The situation is already akin to “too much money chasing too few goods.” The transfer payments would help clear the inventory build-up of the past. Once inventories disappear, most regions and countries of the world are likely to experience shortages and hence, inflationary pressure. Currency notes and other financial assets are at best claims on commodities embodying use value. Money will be worthless if it cannot command commodities that satisfy human wants. It is obvious that we cannot keep all the engines of the economy shut for too long. We should be able to start switching on the machines one by one without provoking the uncontrolled spread of the dreaded disease.

The first priority should be given to the sectors producing essentials and necessities. The economy managers should have a relook at the basic conditions of human existence and try to make all-out efforts, first to produce the identified goods and services and then to ensure a fair distribution of the output. The need to have social control on both production and distribution must be emphasised here because these emergency tasks cannot be left entirely to the market forces.

By the time the lockdown is relaxed for non-essential commodities, the permission to produce and supply alone will not do. Both the supply and demand side might require government intervention to get going. It will be so even in the case of value chains not dependent on external nodes. Governments at all levels will have to be liberal in extending financial and other forms of support to revive economic activity. The moot question is whether the nation states would be bold enough to break the shackles of fiscal conservatism imposed by the global order. The fact that the world order is in deep trouble and that the developed countries are setting such examples should encourage poorer nations to emulate the leaders.

**Delinking and Relinking**

The present stalemate appears to be a nature-imposed shock on the mindless process of global economic integration, which catered primarily to the greed of capital at the expense of many virtues humanity has nurtured through history. Globalisation has led to the worsening of inequality in the distribution of wealth as well as income, environmental degradation, destruction of diversity in nature as well as culture, and diminution of democracy.

Autarky is a heroic assumption used in economic theory, which is far removed from reality. But we are currently living through an interregnum of deglobalisation. It offers a great occasion to learn the art of living in relative isolation, as also to restructure the international division of labour.

First of all, it is a big opportunity to save the nation states from the clutches of international finance capital. According to the IMF, the emerging economies experienced the sharpest portfolio flow reversal to the tune of about $100 billion in the immediate aftermath of the virus outbreak (Adrian and Natalucci 2020). There is nothing surprising about such herd behaviour of portfolio flows. They would leave the host countries not only at the time of real crises, but also on false alarms. The portfolio flows themselves are a major source of economic and social instability in developing nations.

The power of finance capital is at its lowest ebb now. Obviously, capital will lose value when kept out of circulation. This is the right time to challenge its hegemony. The $$s move out of the emerging markets to escape from a capital market crash and depreciation of host country currencies. But, once fair weather is back and as the economies limp back to normalcy, they would be back to buy stocks cheap, to pump in liquidity, to reap gains of revival, and also to gain superprofits by engineering asset price bubbles if possible; only to leave at the most opportune moment, that is, immediately prior to another imminent crash. Incidentally, their fund managers would be incessantly warning the host country against government borrowings and other expansionary policies. But, developing nations cannot afford to go back to the pre-pandemic regime of fiscal conservatism. Rebuilding the pandemic-affected economy would be practically impossible under such a neo-liberal regime. The nation states should now be open to the possibility of monetisation of deficit and government borrowings to finance recovery. The presence of unutilised capacity in the economy would ensure supply and check inflationary tendencies.

One is not arguing for a complete ban on foreign institutional investment. On the
contrary, the argument is against free and unregulated speculative movement of capital, which exposes the economies to unhealthy fluctuations, besides imposing limits on economic freedom and democracy. Unregulated portfolio flows bring in more damage than gains to the host economy. Incidentally, in spite of opening up, China has been quite stubborn with respect to regulation of speculative movement of capital. It was one of the main reasons why China could run a huge public investment programme that played a major role in their miraculous development. The new global financial architecture should ensure orderly supply of international credit without jeopardising development aspirations and institutions of democracy in the participating nations.

Like finance, the real side of the international economy also requires rearrangement. This is obvious in the case of production of basic necessities in the short run. The decision to seal borders has disrupted supply chains. It will take time to re-establish the trade links and get the goods moving. But, the current disruption of the global division of labour is an opportunity to delink and establish relatively independent ways of producing the necessities. India being an economy of continental size with highly diversified production structures is better placed than many others in managing the present period of relative isolation. It is highly advisable that India launches a massive national participatory campaign to produce the basic necessities. The national drive to produce basic necessities, including food, medicines, and healthcare accessories, can be implemented without compromising the norms of keeping safe distance. Public health experts can help formulate detailed safety protocols for various activities related to production, aggregation and distribution of commodities.

Whether the short-run arrangements for producing necessities under isolation should be sustained is an important question that would come up. Obviously, the advantages of division of labour, specialisation, scale economies and competition cannot be ruled out. Isolation, certainly, is not a panacea. What is being highlighted is the need to have a relook at the pattern of specialisation evolved over time under unfettered globalisation. For instance, the model of large-scale, heavily subsidised, highly mechanised, and chemical-intensive models of farming involving long-distance trade and transportation of food cannot be sustained for environmental and equity reasons. At least in the case of agriculture and allied areas, there is a case for rearranging the system so that the distance between centres of production and consumption is minimised. The role of trade should be limited to bridging surpluses and deficits, if any. This will facilitate supply of fresh and safe food from the farm, protection of livelihood of small farmers, and minimising of greenhouse gas emission caused by long-distance transportation.

The threat of pandemics breaking out in the future would encourage the community of nations to regulate international economic integration and movement of people. Preserving economic diversity might help check unrestrained movement of people, which results in the spread of communicable diseases. In fact, specialisation and division of labour and scale economies play a very important role in the vertical pattern of economic development. Globalisation privileges vertical over all forms of horizontal communication. The vertical pattern promotes long-distance trade and movement of people at the expense of the local and the neighbourhood. In order to regulate this tendency, there should be efforts to check homogenisation on the one hand and protect diversity on the other. One widely deplored attribute of globalisation has been its hostility to diversity. It kills differences and diversities that need to be preserved by all means for the common good.

There is a widely-held wrong notion that the Schumpeterian creative destruction is a “natural” process and any attempt to resist it was interventionist. Here, it is important to see how nature conserves diversities. It, for instance, sustains umpteen varied habitats for conserving its rich biodiversity. A species which is dominant in one system might not survive for a minute in another. Nation states, and regions within them, were in fact acting as habitats for preserving economic diversity. Global monopolies are in the business of breaking open such habitats by using their command over global governance arrangements. The attempts to resist such homogenisation moves cannot be more interventionist than the former.

**Conserving Diversity**

If nature’s dynamism, which is also its liveliness, is to be sustained, what is needed is the preservation of diversity. This is true of the world of economic life also. It is high time that we realise the fact that even competition cannot survive without diversity. Further, diversity of economic life cannot be sustained without protecting diverse habitats, which nation states and other locales used to sustain. Homogenisation in the world economy does not portend well for its health.

Border measures such as tariffs, internal measures such as subsidies, and support of local governments had an important role in shaping national/local economic habitats. Multilateral trade negotiations and regional trading arrangements have considerably weakened such protective arrangements. Apart from state policy, there are many other factors, such as geography, history, culture, tastes, preferences, and so on, that go into the making of economic habitats that support diversity. A policy favouring national/local economic habitats need not necessarily be against external competition or technological change. In fact, economic diversity that we see in most countries today is the result of a long history of competition and evolution. Nevertheless, it is important to be vigilant against a regime that is particularly hostile to the national/local economic habitats and the diversity it supports. Economic policy should not discriminate in favour of transnational capital denying equal treatment to local producers and citizens.

The decision to lock down did not come from the market. Markets cannot be so wise. Similarly long-run solutions for the vulnerability to pandemics cannot come from atomistic agents driven by the profit motive. The nation states and the interstate system should necessarily take the lead and act. But, it will not happen unless pressure is built from below by way of collective action in the
neighbourhoods that is scaled up to the global level. Such global collective action will be an important feature of the post-covid-19 world.

NOTES

1 Ayurveda, the thriving indigenous system of medicine in India, for instance, has a long history of resistance against discriminatory colonial policy. Same is the case of many indigenous traditions seen all over the world that survived the test of time, technology and competition.

2 For instance, public works programmes funded by international agencies invariably insist on international tendering in big lots so that the work involved is large enough to facilitate foreign entry. The large size-lot of work tendered, and the experience required, pre-empt local companies from bidding. A similar experience of discrimination against local players is reported from other sectors as well.

REFERENCES

