This is a repository copy of *The annihilation of time by space in the COVID-19 pandemic downturn*.

White Rose Research Online URL for this paper:
https://eprints.whiterose.ac.uk/217440/

Version: Published Version

Article:

Ward, C. orcid.org/0000-0002-1768-1725 (2020) The annihilation of time by space in the COVID-19 pandemic downturn. Dialogues in Human Geography, 10 (2). pp. 191-194. ISSN 2043-8206

https://doi.org/10.1177/2043820620935685

Reuse
This article is distributed under the terms of the Creative Commons Attribution (CC BY) licence. This licence allows you to distribute, remix, tweak, and build upon the work, even commercially, as long as you credit the authors for the original work. More information and the full terms of the licence here: https://creativecommons.org/licenses/

Takedown
If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing eprints@whiterose.ac.uk including the URL of the record and the reason for the withdrawal request.

eprints@whiterose.ac.uk
https://eprints.whiterose.ac.uk/

Check for updates

Dialogues in Human Geography

Commentary

Dialogues in Human Geography
2020, Vol. 10(2) 191–194
© The Author(s) 2020

Article reuse guidelines:
sagepub.com/journals-permissions
DOI: 10.1177/2043820620935685
journals.sagepub.com/home/dhg

The annihilation of time by space in the COVID-19 pandemic downturn

Callum Ward
University College London, UK

Abstract
A defining feature of capitalism has been its 'annihilation of space by time' in the constant reduction of geographical barriers to rapid exchange. Overviewing how the COVID-19 pandemic lockdown has triggered a financial crisis staunched only by massive government bailouts, this commentary points to a need to orient analysis to the annihilation of time by space.

Keywords
COVID-19, corporate debt, lockdown, pandemic, financial crisis, bailout

Introduction

The COVID-19 pandemic has triggered a global recession for which the historical reference point is the Great Depression of the 1930s. Much like the Great Depression, this likely signals the end of an era of liberal globalisation and financial expansion.

This is a period when geographical political economy, with its focus on the spatialising contradictions of capitalism's unstable 'fixes' (Bok, 2018), has a renewed relevance. But it is also one in which we will need to re-calibrate theories attuned to capitalism's annihilation of space to a new reality in which the uncertain fixities of space are being reasserted.

In this commentary, I point to how capital markets' overcoming of space by time through debt-based risk arbitrage has left the global economy particularly vulnerable to the impacts of COVID-19. I highlight how the contemporary 'fix' dynamic appears to be one of recurrent government bailouts themselves stimulating further debt expansion, so that we are in a period of the annihilation of time by space not just in the sense of lockdown's blunt reassertion of spatial barriers but also the increasing territorialisation of fictitious capital.

The annihilation of space by time

The 'annihilation of space by time' refers to the diminishing of relative distance driven by capital's need for ever quicker circulation. Taken from Marx's *Grundrisse*, this concept has been generative for geographical approaches to globalisation, capturing the way in which revolutions of supply chain management, communications technology, and international governance have created a world

Corresponding author:
Callum Ward, Bartlett School of Planning, University College London, 14 Upper, Woburn Place, London, WC1 H 0NN, UK.
Email: callum.ward@ucl.ac.uk

economy characterised by the elimination of socio-spatial barriers to rapid exchange.

The growth of capital markets and associated financial innovations have been crucial to the annihilation of space by time. With the temporal arbitrage of finance, everything, everywhere, became investable. What this allows is a notional 'market completion', in that every good can be exchanged by market agents with minimal transaction costs. The utopian neoliberal vision was that this would allow markets to achieve equilibrium through speculation, bringing to bear the collective rationality of individual investors and so allowing for optimal investment and risk allocation (see Jessop, 2015). With uncertainty so abstracted to the two-dimensional optimal distribution of Pareto curves, space truly had been annihilated by time from the perspective of capital markets.

Yet as Massey (2005) argued, space is not merely distance but multiplicity. It is 'the sphere in which distinct trajectories coexist; as the sphere therefore of coexisting heterogeneity' (Massey, 2005: 9). This is what is flattened out in the process of abstracting financial assets wherein spatially-embedded uncertainties are made commensurable through their representation as the quantifiable, probabilistic metric of risk. This reification is itself ultimately a source of crisis in facilitating greater leverage until some inevitable shock disabuses investors of their fetishised belief in their ability to abstract risk from the uncertainties of space (Ward, 2020).

The financial crisis of 2007–2009 was precisely such a disabusing. As homeowners defaulted on ballooning sub-prime mortgages, the securitised products which had previously facilitated risk distribution and liquidity served only to spread paralysing uncertainties throughout the financial system. This only abated when governments began asset purchasing programmes through 'quantitative easing' to restore confidence and liquidity to financial markets.

Although this tempered the crisis, markets subsequently became dependent on these government injections of cheap money and the effective state guarantee of rising asset prices. This was demonstrated in the 'taper tantrum' of 2013 when the Federal Reserve's mere suggestion of scaling back this support caused a market downturn. Having propped up liquidity and asset values as a fix to the last crisis, central banks now found themselves unable to stop doing so without causing the next one.

Meanwhile, with growth stagnant, financial engineering through cheap debt was an attractive way for companies to stimulate profits and offer returns to shareholders. In 2019, non-financial companies' debt had reached an average of 90% of GDP in Global North countries and 92% in Global South countries, reaching 155% in China (Wheatley, 2019). Of particular concern was the composition of this debt, with the majority of bonds being either rated as high risk 'junk' bonds or one grade above. Given the size and fragility of this market, financial governance institutions expressed concern about corporate overleverage but were unable to turn off the supply of cheap credit enabling it.

The COVID-19 pandemic has brutally exposed these structural weaknesses in financial markets. With once seemingly well-hedged investment portfolios exposed to leveraged companies' corporate bonds, lockdown means that investors are again being confronted with the unbridgeable disconnect between the reified temporalities of their risk calculations and the heterogenous uncertainties of socio-spatial processes. Or, as Katie Martin (2020) of the *Financial Times* put it: 'Investors are being humbled by one thing they clearly had not considered: real life'.

The annihilation of time by space

Nuancing geographical political economy's focus on capital's increasing velocity, Simpson (2019) highlights the importance of slowing down circulation at particular supply chain nodes. He argues that the value of storage in oil markets under conditions of overproduction represents an 'annihilation of time by space'. One of the immediate effects of the lockdown's economic stoppages was a drop in demand for oil, creating a shortage of storage which briefly drove the price of a barrel of crude below zero for the first time in history. Beyond such pressures on the infrastructure necessary to 'pause' capital, the lockdown has also given the notion of 'the annihilation of time by space' a new inflexion as the sudden vulcanisation of geographical barriers destroys fictitious capital.

Once it was apparent that the virus would not be contained in China, governments started shutting down economic activity to protect their health systems, and financial markets were routed. Investors liquidated large portions of their portfolios in favour of holding the ultimate safe liquid asset, US dollar-denominated cash. This asset fire-sale led to the unusual spectacle of simultaneous price declines in both equity markets and government bonds as well as a devastating flight of capital from 'emerging market' economies. Many such countries now find themselves depending on the US to maintain dollar 'swaplines' to avoid runs on their currencies.

Central banks have been unhesitant in providing liquidity and a backstop guarantee for asset prices in the promise to buy what is not wanted by investors. They have announced massive financial rescue packages, ramping up pre-existing bond buying programmes (the Federal Reserve's being announced as 'unlimited'), and extending them to corporate bonds, including those that are junk-rated. Stock markets have rebounded in response while the promise of such large-scale intervention itself proved enough to restore liquidity to the US corporate bond market before they had even purchased anything. Despite this, in May 2020 the US Federal Reserve's annual financial stability report warned of the potentially dislocative effects of corporate debt downgrades, pointing out that high business leverage is 'amplifying' the adverse economic impacts of the pandemic (Federal Reserve, 2020).

When a debt-driven asset bubble bursts, markets tend to overcorrect. As liquidity dries up, investors scramble to sell assets even below their value, and a self-reinforcing downward spiral of defaults and tightening credit conditions can emerge (per Minsky, see Jessop, 2015). This is one reason that if the pandemic triggers a cascade of corporate defaults, it will create economic damage far beyond the direct effects of the lockdown itself. Currently, the threat of 'fallen angels' – corporations whose bonds were ranked as investment grade but are downgraded to 'junk' – is looming with rating agency S&P pointing to a record 111 companies at risk globally in May 2020 (Mackenzie, 2020). Given the extent of the market for corporate debt and its derivatives, such downgrades have widespread knock-on effects across financial markets far beyond the scope of the business itself.

The awesome scale of the announced government bond purchase programmes are designed to stop such a downward spiral. Insofar as this intervention does prevent widespread defaults, it will reinforce and magnify the contradictions of the fix to the last financial crisis. That is, as long the state is seen to guarantee against defaults, debt will remain cheap, plentiful, and attractive. Indeed, with companies requiring financing to survive lockdown, the corporate sector that emerges will be more indebted and with weaker earnings outlooks, suggesting markets will be central bank-dependent long after the health emergency is resolved.

Space is annihilating time not only in the sense of the lockdown imposing barriers, but in territorial sovereigns absorbing the destruction of fictitious capital. Central banks are seemingly locked into a dynamic of providing fixes to the crises of financialised capitalism by throwing money at them to assuage investors, thereby encouraging further debt expansion and an even bigger round of crisis in the future. The defining economic questions of the coming years will centre on whether there is a limit to how much market risk states can absorb and how the subsequent costs will be territorially articulated.

Economic geography in reverse

Globalisation is interrupted, perhaps permanently. With geographical theory oriented to the annihilation of space by time, how must we recalibrate now that the process is in reverse?

Geographical political economy must take seriously the pluri-temporalities of capital circulation (Simpson, 2019). Today, the measures taken to slow down the circulation of the coronavirus conflict with the need to reaccelerate commodity circulation and salvage an overleveraged economy. This dislocation between the temporalities of governing public health and those of financialised capitalism will be a defining contradiction of the pandemic period, and its variegated resolutions will shape political economies far into the future.

Meanwhile, even as these temporalities conflict, the scale of the current bailout and its

extension to non-financial companies means that states and markets will be increasingly visibly entwined. Indeed, to the extent that the current interventions successfully arrest meltdown, the resulting central bank-dependent (and owned) markets will probably look something like state capitalism (see Alami and Dixon, 2020). State theory will be at the heart of financial geography for the foreseeable future.

This effective socialisation of market risk will raise fundamental normative questions about the purpose of finance itself. The reason the economic impact of lockdown will reverberate so profoundly is its amplification by an excessively leveraged world economy. Yet while the pandemic was a shock, it was not a surprise. We have had a number of near misses since 2003's Avian flu, and the structural risk of a global outbreak has long been mapped out (Davis, 2005). What is the social use of a system of risk management if it makes us more vulnerable to entirely foreseeable events?

In the extension of capital markets to the point of achieving world market completion, capitalism's drive to annihilate space by time both reached an apotheosis and created the conditions for its own reversal. The uncertainties of the socio-spatial process are once again systemically destroying financiers' finely balanced risk calculations, this time with lockdown placing severe stress on the structural fragilities of a bloated corporate bond market. With central banks seemingly locked into a recurring 'fix' of financial sector bailouts – which themselves stimulate more unsustainable debt expansion – capitalism's crises are being territorialised on an ever larger scale. The near future is deeply uncertain, but its geographical motif will be the annihilation of time by space.

Declaration of conflicting interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

References

Alami I and Dixon AD (2020) State capitalism(s) redux? Theories, tensions, controversies. *Competition & Change* 24(1): 70–94.

Bok R (2018) 'By our metaphors you shall know us': the 'fix' of geographical political economy. *Progress in Human Geography* 43(6): 1087–1108.

Davis M (2005) *The Monster at Our Door: The Global Threat of Avian Flu*. New York: New Press.

Federal Reserve Board of Governors (2020) Financial stability report. United States Federal Reserve, USA, May 2020.

Jessop B (2015) Hard cash, easy credit, fictitious capital: critical reflections on money as a fetishized social relation. *Finance and Society* 1(1): 20–37.

Mackenzie M (2020) Credit angels with silver wings. *Financial Times*, 15 May 2020.

Martin K (2020) Financial markets are being humbled by real life. *Financial Times*, 13 March 2020.

Massey D (2005) *For Space*. London: Sage.

Simpson M (2019) The annihilation of time by space: pluri-temporal strategies of capitalist circulation. *Environment and Planning* 2(1): 110–128.

Ward C (2020) Contradictions of financial capital switching: reading the corporate leverage crisis through the port of Liverpool's whole business securitization. *International Journal of Urban and Regional Research*. DOI: 10.1111/1468-2427.12878.

Wheatley J (2019) Debt in developing economies hits all-time high. *Financial Times*, July 15.