Change in the pandemic age

COVID-19 has changed the world as we collectively know it. I discern five important ways this has happened.

Asian exceptionalism

The big economic story of the past 50 years was the rise of Asia. First, Japan then, inexorably, Taiwan, Korea, and China. The narrative of this rise was built around the futility of political struggle and resistance. Benevolent authoritarian Asian states were seen as efficient and transformational. The great books describing the rise of Asia saw this as the result of Confucian values, discipline and the high effectiveness of collective action. Initially, the success of Asian efforts to address the pandemic seemed to reinforce these notions. But as the situation evolved, the Asian tigers struggled to vaccinate their populations and maintain economic progress. Chinese exceptionalism surged but this is not seen as contributing to global prosperity but rather as wolf-warrior tactics to establish Chinese hegemony.

A two-speed world

The era of globalisation was marked by an assumption of continual convergence. As the pace of globalisation and its global reach expanded, prosperity was seen as continuously increasing across the globe, with an impending end to extreme poverty and a steady decline in inequality between countries.

The pandemic has put an end to these dreams. International Monetary Fund Economic Counsellor Gita Gopinath says that only the US and China will return to pre-pandemic economic levels this year. Most countries are not expected to do so until 2023. The average annual loss in per capita income over the next four years compared to pre-pandemic forecasts is projected to be 2.3 per cent for advanced economies, 4.7 per cent for emerging markets and 5.7 per cent for low-income countries. An additional 95 million people will join the ranks of the extremely poor in 2020.

Upturned macroeconomic policy-making

This began with the 2008 financial crisis. The burial of conventional macroeconomic policy—the lazy mainstream of average IMF economists and their poor cousins in the developing country policy ecosystem—is now complete. Even last year, Indian economists would airily talk of countermeasures to the pandemic as countercyclical measures. This sort of sloppy analysis no longer has a market.

The pandemic has also exposed the charade of the so-called data-driven economics since it is no longer possible to extrapolate accurately from past behaviour, whether about UK house prices or what drives Indian inflation. Theoretically, empty econometric exercises are now farcical, as is talk of fiscal prudence based on the third-rate empiricism about “debt dynamics” that so irritated me when I worked on India’s FBRM framework. Triple digit debt-GDP ratios on their own do not now inform policy judgment on fiscal solvency. Rather, as I have been arguing since 2008, it now matters how debt is used and what the results of the fiscal deployment of borrowed resources are. Shopkeeping ideas about fiscal prudence no longer inhibit the shaping of the macro-fiscal framework. Public spending to deliver merit goods and protect incomes and employment is regarded as a good thing to be prioritised over tax cuts and deficit control. Fiscal policy is judged to be good when it is able to effectively address the fallout of the pandemic.

The old inherit the planet

Wars are fought by the young to protect the old. In this sense, the response to the pandemic has been warlike. The young have suffered disproportionately. To protect the old (children do not die of COVID-19 but can transmit it to older people and hence must be isolated) they have had their education interrupted and their employment prospects diminished, even as the old grow fat and rich on profits. They face cruel restrictions to their ability to enjoy the best that youth has to offer—to explore, to befriend, to love, to experiment.

Atomised

It is the young that keep societies and our planet communist in nature and spirit. The disproportionate negative impact on them has resulted in all our lives becoming atomised to an unprecedented degree. The economic, health and safety response to the pandemic has been to separate and exclude humans. The powerful and wealthy are able to retain their quality of life better by gathering themselves, rich countries against poor countries, rich people against poor people.

In India, this atomisation was most starkly evident when large numbers of people were not welcome or secure where they lived—being “migrant workers.” They wished, therefore, to return to the relative security of their home states in these uncertain, jobless and troubled times. But this was not allowed unimpeded. The coercive might of the police was unleashed on them, citing public safety. They were denied access to all means of modern transport, and forced in their hundreds of thousands, to walk for days in the scorching heat, the images recalling times of famine, destitution and war. They walked knowing well that the elites in their gated enclaves would take no responsibility for their fortunes as fellow citizens, for they were only “migrant workers”. With no work they had neither utility nor legitimacy. They were aware that the government’s responsibility did not extend to providing them with the income support they had lost. Public resources were reserved for cheap lending and haircut to those whose profits were in jeopardy. For the poor of India, atomisation meant charity—to allow them to eat to live, but unlike the rich, not to arrest the decline in their means and the consequent destruction of their aspiration to modest prosperity.

Views are personal.