



Pandemic and the global economy

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ESRI Post-COVID Economy

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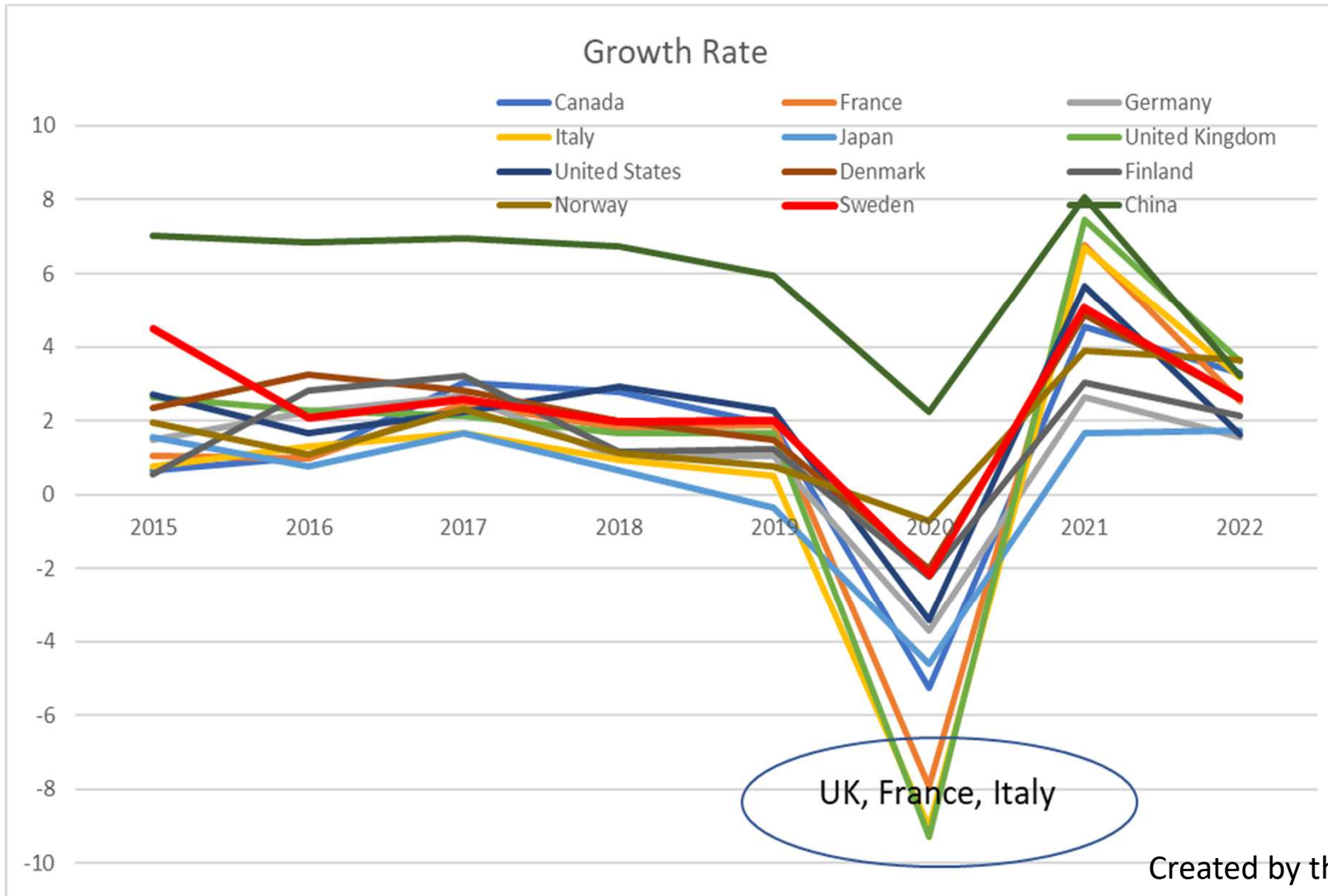


What are relevant questions?

- (1) Which is better, “Zero COVID” or “Live with COVID”?
 - Comparative study
- (2) Did the COVID experience fundamentally change the economy—Workers, Industries, Countries?
 - Long-term impacts
- (3) Were Monetary policy and fiscal policy responses appropriate?
 - Macro impacts
- (4) Did the pandemic accelerated de-globalization and decoupling?
 - International Trade/Finance impacts

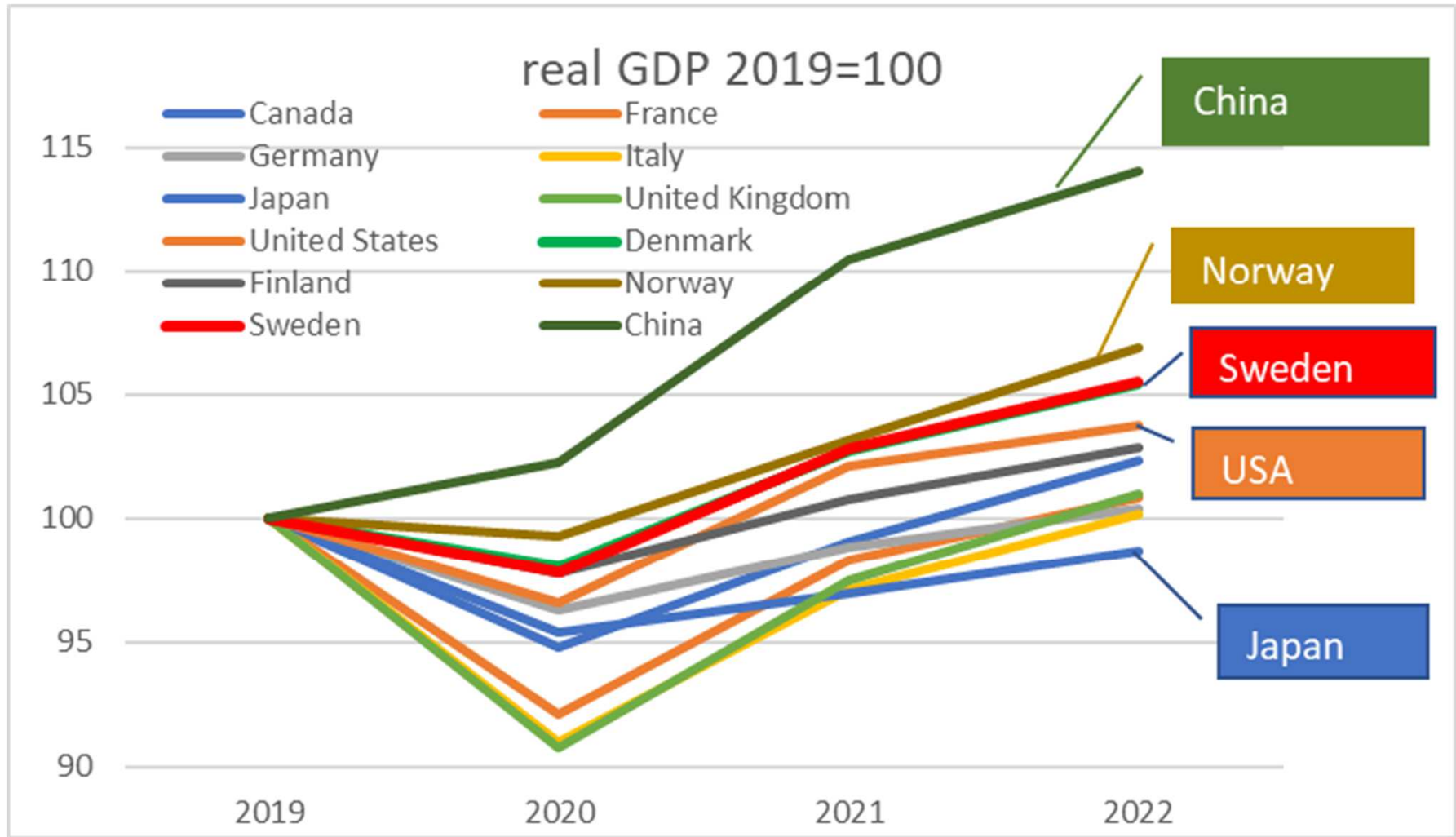
(1) “Zero COVID” vs. “Live with COVID”

- A spectrum of socio/economic restrictions to prevent a spread of COVID
 - No restriction (Sweden)
 - Stop and Go until wide-spread vaccinations (US, Japan, Europe)
 - Zero COVID (China)
- Trade-off between GDP and COVID death?
 - Many Macro-COVID models: Eichenbaum, et al., “The Macroeconomics of Epidemics” and subsequent papers.
- A transition from “Zero” to “Live with”? – Vaccines made the death probability low enough to make the transition
- Will China make a transition successfully?



	2020
China	2.2
Norway	-0.7
Denmark	-2.0
Sweden	-2.2
Finland	-2.2
USA	-3.4
Germany	-3.7
Japan	-4.6
Canada	-5.2
France	-7.9
Italy	-9.0
UK	-9.3

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Data: IMF WEO Database, Oct. 2022

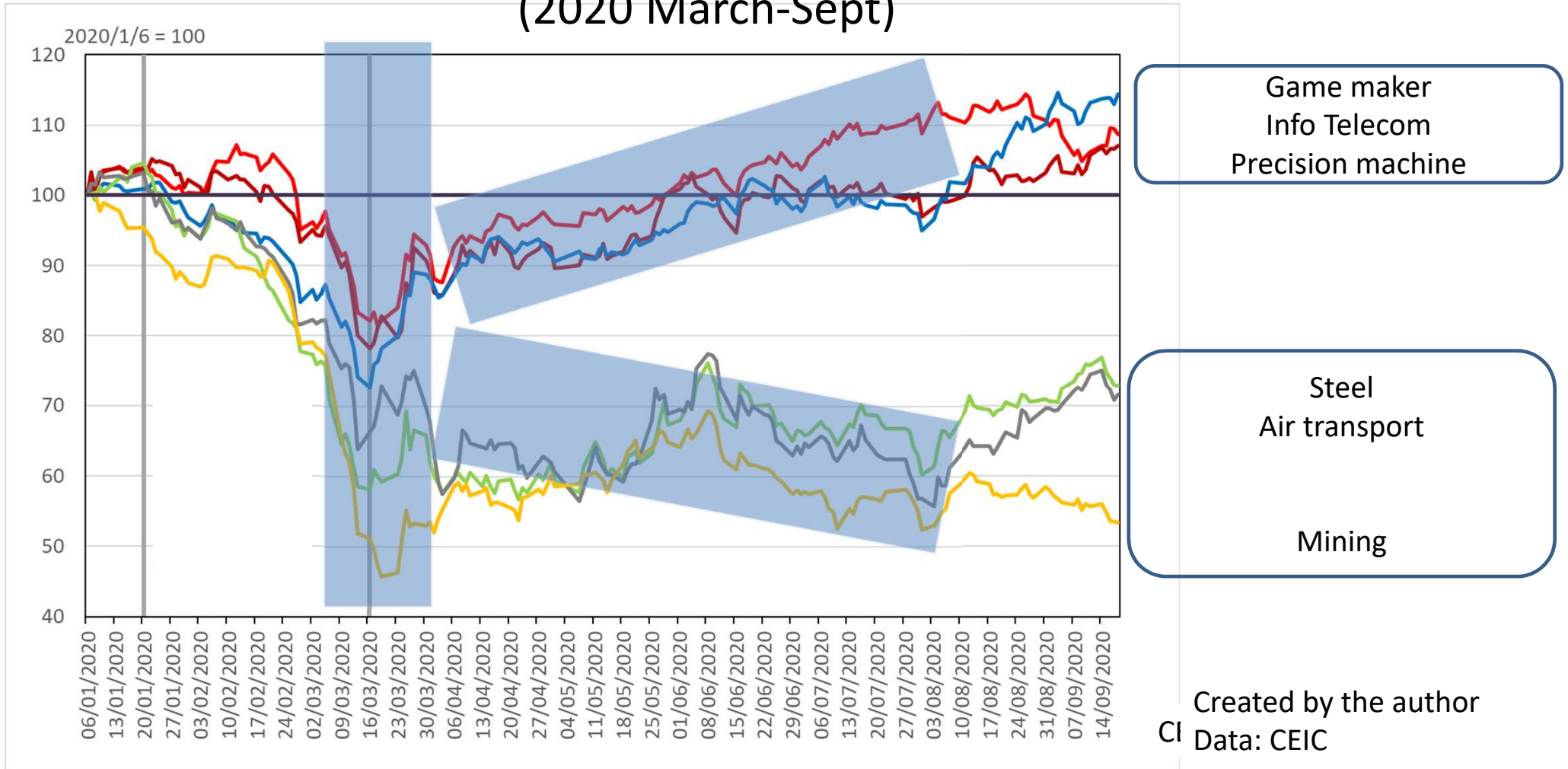


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(2) Did the COVID experience fundamentally change the economy—Workers, Industries, Countries?

- Will remote work/education become a norm?
 - Accelerate DX
 - Widen Inequality?
- Differential impacts on industries
 - K-shape recovery

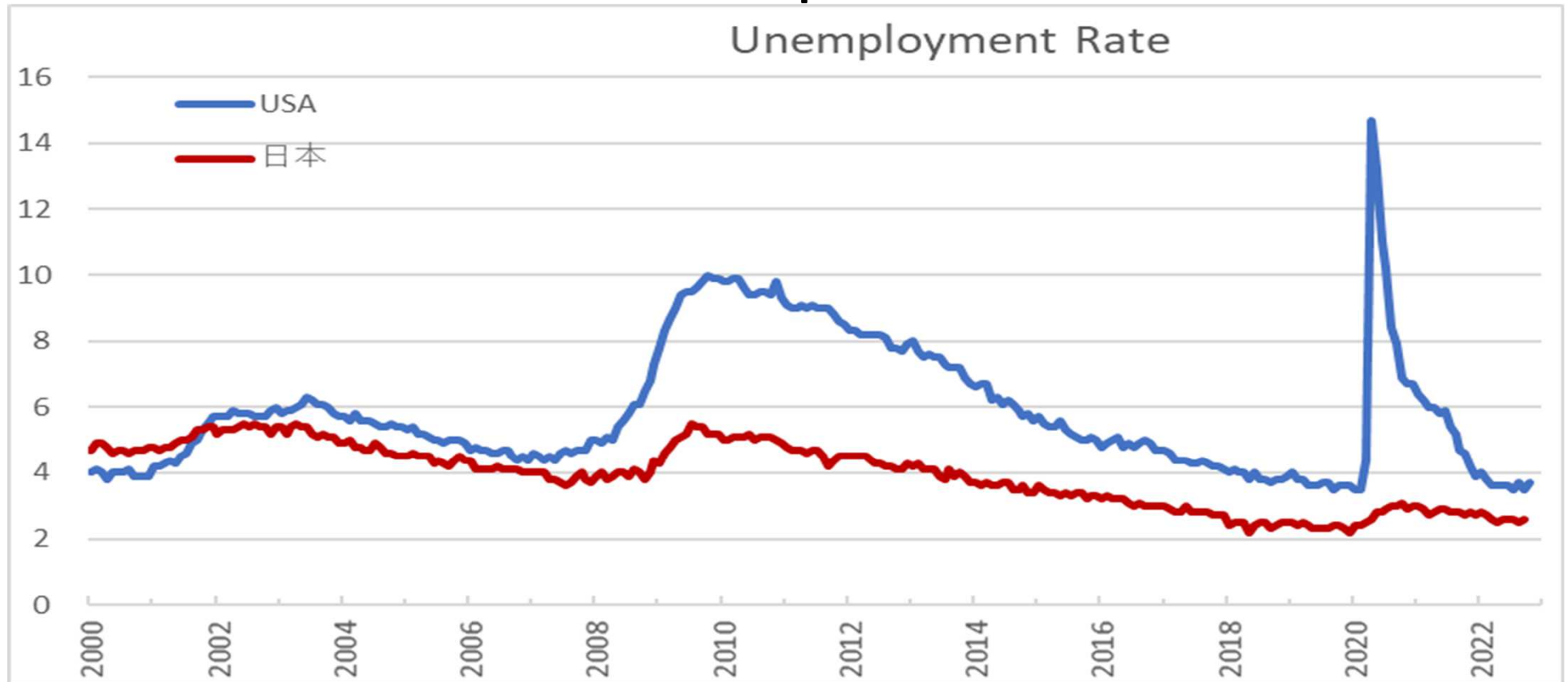
K-shape recovery in TSE Early phase (2020 March-Sept)



(3) Monetary policy and fiscal policy responses

- Spring of 2020. Quick and massive response (US, Japan)
 - No hesitation
- 2020-2021. Massive fiscal support continued
 - Massive debt finance, not questioned
 - Fiscal support: Where to target? The unemployed or the firm?
- 2021-2022. Over-stimulus ?
 - Sow the seeds of a very high inflation in the US, UK and Euro Zone?
 - Accumulate fiscal debt
 - The UK “Trussnomics” problem will be repeated in Japan?

Should subsidies be targeted to the firm or the workers? US-Japan difference



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Data: Japan, MHLW and US, BLS

(4) Did the pandemic accelerated de-globalization and decoupling (economy and political regimes)?

- De-globalization and decoupling precedes the pandemic
 - But accelerated by the pandemic
- COVID cut off international passenger travels to minimum
 - Less informal exchanges among political leaders, bureaucrats, business leaders
- Vaccine decoupling
 - The west vs. Russia-China
- The Russian invasion of Ukraine further accelerated and made worse de-globalization and decoupling
 - The western democracy; the authoritarians; and the “Neutrals”