
22 Policy in the time of coronavirus

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“The only thing I know is that I know nothing.” I’ve never thought of this quote attributed to my ancient Greek ancestors as frequently as in recent weeks. I have been asked to share my thoughts about appropriate policy responses during this unprecedented crisis. But what does one recommend when what is known changes on a daily basis? And when the most relevant historical experience one can draw upon is either from only two months ago (and still evolving) or from more than 100 years in the past – the Spanish Influenza of 1918-19 (CDC 2020)?

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Those shaping health policy need to show leadership, humility and consistency – the first usually implies the latter two. We need humility to acknowledge that we are in uncharted territory that defies our knowledge and experience (though some familiarity with basic maths and statistics, especially what exponential growth means, would help!).

Mistakes are inevitable – surely, there will be many ex-post accounts of what could have been done better in hindsight. Nevertheless, more important than adopting the *optimal* policy towards containing the spread and ramifications of the coronavirus crisis is the need to adopt a *coherent, self-consistent* strategy. So far, countries affected by the virus have adopted different approaches towards containing its spread:

- In East Asia, aggressive testing, tracking, quarantines and travel bans;
- In many parts of Europe, ignoring the issue for a while only to later follow up with lockdowns and travel bans;
- In other parts of Europe, intensive testing as well as information and advice campaigns without draconian quarantines or travel bans (so far);
- In the US, complete inaction by the government for many critical weeks, while segments of the private sector and universities were preparing.

To a certain extent, these differences in approach reflect differences in cultures and political systems, which imply that what works in one part of the world may not work in another. But such differences do not explain the inconsistent behaviour across time we have seen in several countries since the beginning of the crisis.

The US stands here out. Refusal to acknowledge the existence of a problem only to declare a crisis a few weeks later, then bans for travellers from China, South Korea and Iran, but not from Europe. Encouragement of people to attend restaurants in New York City, but to stay away from public transportation. Cancellation in the second week of March of many public events, while public schools in many cities remained open. Such inconsistency has not only delayed an effective response – very likely allowing the virus to spread in the meantime (we may know more about this once testing becomes more widely available) – it has also sent markets into panic, making a dire economic situation even worse.

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Appropriate economic policy

Much has already been written about the appropriate economic policy during and, more importantly, after the crisis. While the specifics vary from country to country, the clearly emerging consensus is that the tools of monetary policy are very limited at this point – aggressive fiscal measures, especially to support small and medium-sized enterprises, are a must (Gourinchas 2020).

It is hard to speculate what exact form such measures should take without knowing how long this will last; what the eventual death toll of the pandemic will be; how potential labour shortages will affect output; how individual countries, especially those that are critical to global supply chains, will be affected (the recovery of China gives one hope); and how firms and workers in specific sectors, especially transport and services, will fare.

A COVID-19 silver lining?

But despite this dire recap of where we are, looking forward, perhaps there will be a silver lining: the lifestyle and productivity changes brought on by the coronavirus. Many of the changes are viewed as short-term expedients to enable aggressive social distancing. Technology firms, for example, have closed their offices, required all employees to telecommute, and fitted them out with the computing and video technology to do so. Congestion has vanished on roads and hours spent commuting are now dedicated to work and family. Video conferences are replacing shuttling back and forth between East and West coast in the US, and between countries across the world, with enormous time savings and huge cutbacks in air pollution from jet engines.

At the same time, educators at nearly every level are scrambling to replace classroom instruction with online alternatives. Where previously a few early adopters were producing online courses, now we are seeing whole universities move to the web. With entire faculties experimenting, we will inevitably see innovation and progress and we can expect that delivery of long-distance learning will improve by leaps and bounds. Once students can return to the classroom, we should continue to leverage these innovations – in the developed world and potentially in the developing world too.

A third obvious trend is the shift from bricks and mortar shopping to digital platforms. Which brings me to the point about compensating the losers from disruptive technologies. Each of increased telecommuting, reduced business travel and distance learning have the potential to increase productivity for some, but will massively disrupt the livelihoods of others. We need to make sure we compensate the losers, especially given the speed with which the coronavirus crisis has unfolded. But we should not try to roll back progress – we should embrace it.

COVID-19, privacy, and inequality

Another trend the coronavirus has reinforced is the erosion of privacy in exchange for targeted results. In this case, however, it is not about advertising; it is about identifying those most vulnerable or likely to be infected. In Asia, the technology to track people's movements has led to very effective identification of potentially infected citizens. We have seen huge tension between privacy and health outcomes before, where the desire to protect one's health privacy prevents the medical community from connecting the dots by being granted access to full health history. Depending how the coronavirus plays out, we may want to revisit the full costs of health privacy and consider moving the needle there.

The coronavirus may have some interesting impacts on inequality. To the extent that the virus triggers a stock market correction, a good part of the recent growth in wealth inequality driven by return to capital invested in the stock market will diminish. Spatially, cities with populations crammed onto mass transit may pay a higher price than rural areas which had previously been declining; the urban-rural gap may decline. Of course, this is not the kind of inequality reduction one desires. In either case, we would have liked the bottom of the distribution to come up, not the top to come down. One may not care about the decline in stock prices, but to the extent that we value our cities as economic, technological and cultural centres, public policy will need to support them.

Once the crisis abates – and it will one day – we will be forced to confront the same trade-offs we have been debating in the contexts of globalisation and automation. Ultimately, the tension is between embracing change to increase aggregate productivity and protecting the people and communities who have been adversely affected.

The impacts on other dimensions of inequality are even more worrisome. The gap between those who can work remotely and those that need face-to-face interaction will increase. Here, kudos to the Microsofts and Googles of the world who are paying the contractors who provide services at their now closed offices during the shutdown. But, like the small business owners who without support will be decimated by a multiple month loss of foot traffic, these workers need a stake in the new economy.

Concluding remarks

The coronavirus crisis is first and foremost a public health crisis. But in confronting it, we are accelerating some of the trends of the past few years (technology adoption, use of new data, distant learning and telecommuting). Once the crisis abates – and it will one day – we will be forced to confront the same trade-offs we have been debating in the contexts of globalisation and automation. Ultimately, the tension is between embracing change to increase aggregate productivity and protecting the people and communities who have been adversely affected. Whatever concrete policy measures countries adopt, it will be important to strike a balance between the two. Provide relief and support to individuals, firms, sectors and communities hit by the crisis, but at the same time resist the urge to return to the exact way things used to be. Instead, embrace the positive lessons and innovations brought about the response to the crisis – if we are ever to find meaning in what has befallen us.

References

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About the author

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