

## VoxEU: Pandenomics – Policymaking in a post-pandemic world

The Covid-19 pandemic is not yet under control, but it is already clear that when it is over, policymakers will face a transformed landscape. Resilience will also call for accelerated use of digital technology and will present opportunities for smarter, more far-sighted governments and institutions, **writes Mark Cliffe for VoxEU.**



The global Covid-19 pandemic is not yet under control. It is traumatic for everyone, and there is a natural yearning to 'get back to normal'. But it is already clear that we are facing the biggest economic downturn in the post-war period, which will leave deep scars. When the pandemic is over, policymakers will face a transformed landscape (Cliffe 2020).

Economic policy will have to be reshaped around a fundamental review of objectives, instruments and institutions. A new political, social and environmental context will challenge efforts to restore economic growth. Indeed, our previous preoccupation with growth, mobility, and optimisation will likely give way to a new emphasis on equality, sustainability and agility.

Amid the economic and human trauma of the pandemic, we are reminded that necessity is the mother of invention. For economists, our newfound obsession with epidemiology is a painful lesson

in the powerful and non-linear existential risks arising from humankind's abuse of nature. But it is also a reminder that social and individual behaviours are also capable of rapid shifts, and that economic policy cannot be left solely to technocrats: it requires political and moral legitimacy to succeed. In building a post-pandemic policy framework, economists will need to continue to embed lessons from other disciplines (Wyplosz 2020).

## Time to abandon the futile debate about 'normalisation'

A first step is to abandon the futile 'normalisation' debate that dominated the last decade. We can now see that the increasingly unprecedented policy measures that fuelled the recovery that followed the Global Financial Crisis concealed a latent instability built on inflated asset prices and debt. That instability has been laid bare by the pandemic. We have been propelled even further down the road of radical monetary and fiscal stimulus measures to offset the 'sudden stop' in the global economy (Kapoor and Buiter 2020). But the sheer scale of the downturn makes it fanciful to imagine that we can put activity into hibernation. Many jobs and businesses will not survive, and massive debts will be incurred. Although much of that will fall on public sector balance sheets, and the carrying cost of that debt will remain low, this will be an ongoing headwind on growth unless there is a massive new experiment with monetisation.

Given the structural economic damage that we are incurring, even if we acquire the blessed relief of a Covid-19 vaccine next year, governments will not find it easy to unwind their emergency fiscal and monetary supports. Stressed and traumatised populations will be engaged in fierce debates over how burdens will be shared as many activities will not readily bounce back to where they were before.

The importance of inequality has been cast in a new light: it is not just a matter of fairness, it is also matter of social stability and public health security. Society's dependence on often lowly-paid and vulnerable people providing vital front-line services will likely remain in the spotlight (Adams-Prassl et al 2020). Moreover, the enforced adoption of remote working may accelerate digitalisation in a way that squeezes the recovery in employment.

So although unemployment will plunge from the levels reached at the height of the lockdowns, it is likely to remain much higher than pre-pandemic levels. This may give momentum to calls for temporary income support to turn into a more permanent universal basic income or government job guarantees. There will be political pressure for more progressive taxation, not just on labour income, but business income as well.

Meanwhile, while some incumbent populist regimes may fail the competence test and hence at the ballot box, the pandemic has given a nasty twist to nationalism, which may allow other populists to gain power. Cross-border recriminations, notably between the US and China, and within the EU, will limit the scope for much needed international cooperation. This will make it harder to address global health and environment challenges and the fallout in the emerging world. In turn this will weigh heavily global trade and investment.

A further structural drag on growth will stem from the recognition of the dangers of over-optimising processes and supply chains. To cope with future shocks, businesses are likely to shift to from lean 'just in time' to bigger 'just in case' inventories. Businesses will be warier of single sources of supply or demand, allowing for a greater ability to switch activities or locations. This is likely to be reinforced by public policy designed to ensure continuity of supply of essentials such as food and medical supplies. Building greater business resilience will not just be operational, re-

evaluating processes and crisis management, but structural, requiring a review of the strategic mix of products, assets, geographies, customers and suppliers. All of this will carry a cost, which will be further drag on economic growth in the next few years.

In general, the pandemic is likely to lead to a legacy of more conservative, risk-averse behaviour. Doubtless, mechanisms will be found to encourage people to gradually shed their reluctance to travel and engage with strangers. But bankruptcy and debt may have a more lasting effect in depressing the willingness to invest and encouraging businesses to hold more cash and reduce their leverage.

## Fighting the growth headwinds calls for creativity and agility

Such risk aversion is another factor that suggests that the pandemic will weigh economic growth in the coming years. Yet while creating resilience for households and businesses will be costly, the long run benefits of avoiding or mitigating future catastrophes will be huge. Moreover, the challenges of the pandemic aftermath also present enormous opportunities to put the global economy on a more sustainable path.

Building resilience is not just about building bigger buffers – it also requires creativity and agility. Here far-sighted governments should seek to catalyse private initiatives to address societal challenges, capitalising the new-found respect for science and collaboration. While we now see the downsides of hyper-connectivity, we also see more clearly the potential for digital technology in connecting people and accelerating the development and propagation of ideas. Apart from the now obvious need for a public sector-led ‘Moonshot’ project to address global public health, society’s awareness of other externalities such as climate change could be harnessed to inspire other mission-oriented innovations (Mazzucato 2018). Grasping these opportunities will not be easy and may take many years, but the mobilising around them may help to sustain us through the pandemic.

The original article first appeared on VoxEU [here](#).

### Author

**Amrita Naik Nimbalkar**

Junior Economist, Global Macro

[amrita.naik.nimbalkar@ing.com](mailto:amrita.naik.nimbalkar@ing.com)

**Mateusz Sutowicz**

Senior Economist, Poland

[mateusz.sutowicz@ing.pl](mailto:mateusz.sutowicz@ing.pl)

**Alissa Lefebvre**

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

**Deepali Bhargava**

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

**Ruben Dewitte**

Economist

+32495364780

[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

**Kinga Havasi**

Economic research trainee

[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

**Marten van Garderen**

Consumer Economist, Netherlands

[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

**David Havrlant**

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

**Sander Burgers**

Senior Economist, Dutch Housing

[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

**Lynn Song**

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

**Michiel Tukker**

Senior European Rates Strategist

[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania

[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**

Research Assistant, Energy Transition

[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**

Sector Economist, TMT & Healthcare

[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

**ING Analysts**

**James Wilson**

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**

Digital Editor

[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**

Senior Sector Strategist, TMT  
[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**  
Senior Economist, Services and Leisure  
[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**  
Sector Strategist, Financials  
[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**  
Junior Economist  
[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**  
Senior Economist, Germany  
[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**  
Senior Editor and Supervisory Analyst  
[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**  
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)  
[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**  
Credit Strategist  
[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**  
Senior Economist, Poland  
[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Oleksiy Soroka, CFA**  
Senior High Yield Credit Strategist  
[oleksiy.soroka@ing.com](mailto:oleksiy.soroka@ing.com)

**Antoine Bouvet**  
Head of European Rates Strategy  
[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**  
Global Head of Sector Research  
[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**

Senior Sector Economist, Industry and Healthcare  
[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**  
FX Strategist  
[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**  
Senior Sector Economist, Transport and Logistics  
[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**  
Sector Economist  
[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**  
Chief Economist, CIS  
[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**  
Senior Economist, Philippines  
[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**  
Senior Credit Analyst  
[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**  
Consumer Economist  
[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**  
Senior Sector Economist, Energy  
[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**  
Head of Corporates Sector Strategy  
[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**  
Senior Economist, France and Switzerland  
[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**  
Behavioural Scientist  
+31(0)611172684  
[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**

Senior Sector Strategist, Financials

[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**

Senior Sector Economist, Food & Agri

[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**

Senior Economist Construction & Team Lead Sectors

[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**

Senior Economist, Netherlands

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Piotr Poplawski**

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**

Chief Economist and Global Head of Research

[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**

Senior Macro Economist

[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**

Head of Global IFRS9 ME Scenarios

[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**

Head of Financials Sector Strategy

[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)



**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

**Rafal Benecki**

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**

Senior Economist, Belgium, Luxembourg

[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**

Senior Economist, Germany, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**

Senior Data Analyst, Netherlands

[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**

Writer, Group Research

+44 20 7767 6209

[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

**Tim Condon**

Asia Chief Economist  
+65 6232-6020

**Martin van Vliet**

Senior Interest Rate Strategist  
+31 20 563 8801  
[martin.van.vliet@ing.com](mailto:martin.van.vliet@ing.com)

**Karol Pogorzelski**

Senior Economist, Poland  
[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**

Global Head of Macro  
[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**

Foreign Exchange Strategist  
+44 20 7767 6405  
[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**

Global Head of Editorial Content  
+44 (0) 207 767 5331  
[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**

Chief Economist, Netherlands  
[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone  
[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**

Senior Rates Strategist  
[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**

Global Head of Markets and Regional Head of Research for UK & CEE  
[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**

Chief Economist, LATAM  
+1 646 424 6464

[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**

Economist, Digital Finance

+44 20 7767 5306

[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)