

### **Summary of *The Great Lockdown in Low-Income and Developing Economies***

Gita Gopinath, Chief Economist, International Monetary Fund

Speaking at the June 2020 inception workshop of a major new research programme on Structural Transformation and Economic Growth (STEG), Professor Gita Gopinath addressed a set of questions that are set to dominate the policy debate surrounding the global recovery from the Covid-19 pandemic.

The pandemic represents multiple connected challenges for low-income countries, with the healthcare shock, commodity price collapses and unstable debt foundations causing what Professor Gopinath called 'a perfect storm'. Even before Covid-19, many low-income countries were in debt distress or at risk of soon becoming so. What she called 'the Great Lockdown' has brought fresh challenges for these struggling economies. What remains to be seen is just how much the pandemic will transform the way in which development policies are implemented in response.

Even before the arrival of the virus, many low-income countries were already facing numerous challenges stemming from various structural weaknesses. Heavy reliance on commodity exports, weak currencies and a large share of GDP comprised of migrant workers' remittances together paint an unstable picture of the development outlook in many countries. Very little is known in terms of exactly *how* the virus will affect low-income countries, but what is generally agreed is that these regions have not yet experienced, let alone passed, their own infection peaks.

A key message from Professor Gopinath's presentation was that since low-income countries traditionally rely heavily on foreign direct investment, worldwide financial contractions could represent an additional shock for emerging markets. Similarly, the challenges of a large informal sector, the digital divide within labour markets and slow growth with high debt combine to form a 'difficult cocktail' of issues.

Furthermore, policy-makers in many countries are faced with the challenge of intervening with comparatively weak fiscal and monetary tools at their disposal. The domino effects of reduced state revenue (due to commodity crashes and lower international investment), combined with an escalating healthcare crisis and the need for unprecedented levels of public spending, present a daunting task.

Looking to the future, Professor Gopinath was clear that addressing the issues stemming from debt vulnerabilities during the crisis requires a multilateral response. The International Monetary Fund has already committed \$22 billion to virus relief for low-income countries, as well as having worked alongside the World Bank to arrange substantial debt suspension packages. She was optimistic that amid the crisis lie opportunities.

Exactly how structural agenda setting for low-income countries will be transformed in the aftermath of the pandemic is still to be seen, but issues including the sectoral transition from agriculture to services, climate change and the rise of automation must all be addressed.

As Professor Gopinath articulated towards the end of her presentation, with Covid-19, everyone will be judged by 'how they helped and what they did' during this 'great marker in history'. Low-income countries face numerous challenges, many of which have been magnified and even created by the virus. This means that it is essential for policy-makers across the international community to maintain a flexible and dynamic approach to development in a world that is quickly becoming unrecognisable from how it looked just a few months ago.

**Summary of *The Changing Nature of Work: The Need for Radical Policy Reform***

Kaushik Basu, Cornell University

Speaking at the June 2020 inception workshop of a major new research programme on Structural Transformation and Economic Growth (STEG), Professor Kaushik Basu began his keynote presentation by looking to history. The appropriate response to the Covid-19 pandemic, he suggested, may lie in lessons from the past.

Professor Basu's point was that in the face of this great challenge, the world is rapidly changing and the structures on which societies and economies rest are shifting in ways that will require a radical rethink. Just like the Industrial Revolution (which saw the rapid expansion of technology, the transformation of manufacturing and the creation of the modern working and capitalist classes), the pandemic is set to leave lasting scars. To navigate these uncharted waters, creativity and flexibility are essential.

The pandemic has arrived at a time in which change was already afoot. The structural basis of many markets and societies has long rested on turbulent foundations, and the rise of platform technology, increased automation and irrevocable globalisation each present a variety of challenges that affect countries all over the world.

The rapid expansion of technology has also led to what Professor Basu called 'totally unacceptable' levels of inequality. He reflected on a particularly stark statistic, whereby the top three wealthiest individuals alive today hold more wealth than Angola, Burkina Faso and the Democratic Republic of Congo combined.

Much like with the Industrial Revolution, the boom in wealth and new machinery may well leave many poorer members of society behind, and it is only with radical policy interventions that these wide rifts may be bridged. The Covid-19 pandemic could serve to accelerate and exacerbate these divisions, strengthening the call for radical state intervention.

One possible policy mechanism that Professor Basu considered during his presentation was the possibility of state oversight of platform technologies. Applications like the ride-hailing app Uber are quickly becoming essential to the point that drivers run the risk of being 'marooned' if they do not abandon traditional modes of taxi service, surrendering to the pull of the app.

What Professor Basu argued is that these digital platforms are becoming so essential to the functioning of modern marketplaces that they can no longer be trusted to the forces of profit alone. Apps like Uber may be better positioned as essential utilities, administered as non-profits with state oversight.

While this certainly seems radical, Professor Basu's argument is that traditional modes of anti-trust law are toothless against these digital platforms, and that splitting up firms like Uber could undermine their steep economies of scale. One way to address the sharp inequality and potential for massive digital-era profits is to step in with radical policy.

Against the troubling backdrop of the Covid-19 pandemic, perhaps now is as good a time as ever to think radically about structural policy changes to combat inequality and technological expansion. Professor Basu concluded his presentation by reminding listeners that 'we are in the foothills of great change'. If history has taught us anything it is that 'we must think deeply and radically' to push for a better system. Policies that seem drastic today may well be fundamental to ensuring that the international community moves on from Covid-19 having taken crucial lessons on board.