

Martin Wolf – After the coronavirus pandemic.

The FT's Martin Wolf explains what the world could look like when the epidemic is over.

<https://www.ft.com/video/dafc3578-5c76-412a-8ba3-016495031bd1>

SUBJECT: **How might the world be different after the pandemic?** The most important answer is, **we really don't know**. This is a completely novel experience. **In terms of what's causing this economic and social crisis, a pandemic, and the nature of the response by governments, to close down economies, the combination is unprecedented.**

We've had crises that start with a real economy, like oil shocks. We've had financial crises. But these things happening altogether and driven by disease is new. And because of that, we don't know what's going to happen in the next two years or so. And that will shake the world after the pandemic.

The thing we **most definitely know** is that we will emerge from this crisis with **much more debt in the public sector**, very large fiscal deficits, a lot **more debt in the private sector** as well, and almost certainly we will already have experienced **a great many defaults**, particularly in the private sector, and particularly in emerging economies.

These are sources of real **fragility**. But if we concentrate just on the **debts that the public sectors will have, I think it will be manageable**. Real interest rates are likely to remain very low. We won't see an immediate explosion, or possibly any explosion of **inflation**.

Well, **a consequence seems to be quite clear. Taxes will rise**. Taxes on the relatively well-off will **rise**, I think almost inevitably. We are not going to be able to repeat in the Western world, at least not in Europe, and I think not in America either, the sort of austerity policies that followed the last crisis. This will then be **a new social contract**, if you like. **It might be as profound as what happened after the Second World War, which was a period of relatively high Equality.**

Now think about the things that are **possible, but not certain**. The most likely change in the world is in the international context. The virus and the response to it is **dividing the world**, even though it's a common experience. **Relations within the European Union** and still more between the **US and China** are terrible, and getting worse.

There's serious discussion of **ending the World Trade Organisation, or ending trade globalisation**, more broadly. There's strong resurgence of **nationalism** and **protectionism** across the world in many different ways. You can see it very, very clearly.

It's a pretty good guess, not absolutely certain, so this comes into the likely category, that **the globalisation story**, which was already not really working after the financial crisis, trade growth and stock, **will now go into reverse. I think it will be very bad for the world economy**, but it will impose massive **shifts in the nature of business and the way business works**.

A third factor here is **technology**. And here I think the story is more complex, but it seems almost certain **that pattern of work we've now experienced**, this transformation into distance working, **the move away from the office**, the **use of modern technology for running businesses**, most people didn't know they could do this, is permanent. **It's a permanent shift.**

It's quite likely that **commuting patterns will also change as a result**. The **real estate business will be transformed**. Commuting and the **structure of cities will be changed**. This is an **accelerated**

technological change that was already underway for the benefit of some very important businesses, particularly the technology business, and to the huge disadvantage of other businesses.

Wars and pandemics change the world. And I think it will change the world technologically as well as in terms of global integration and future fiscal policy. So while we're not sure about all of this, some of it is much more likely than others. I think it's reasonable to suppose the world we'll emerge into-- two, three years from now, who knows-- will be really quite different from the world we were in before the pandemic hit us.