



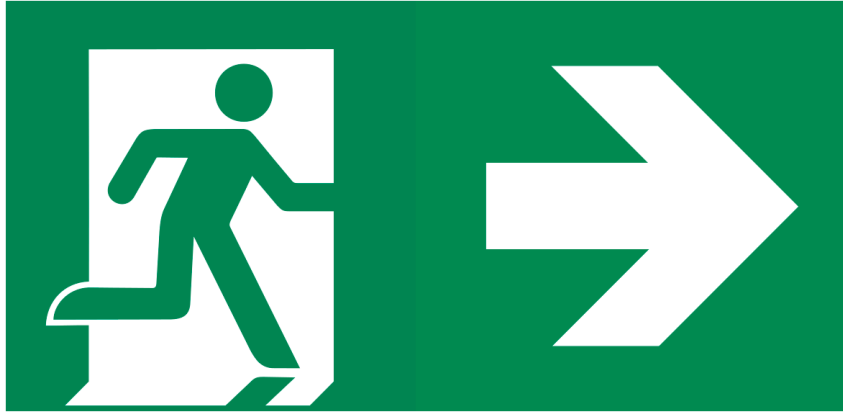
Institute for  
**New Economic Thinking**  
AT THE OXFORD MARTIN SCHOOL

# Exiting and Learning from the Pandemic

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OECD NAEC Virtual Seminar

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# Exiting – the popular narrative

- Flatten the curve
- Cases drop
- Phased easing of lockdowns
- Economy comes back to life
- Intensive testing, tracking, isolation
- Contain hotspots
- Some short-term social distancing (face masks, spacing in workplaces)
- Some combination of vaccine, herd immunity, anti-virals
- Back to normal!

# Exiting – the likely reality

## Exit requires one or more of

1. Vaccine
2. Effective anti-viral
3. Effective herd immunity
4. Elimination via strict containment

## Yes, reasons to be optimistic...

### ...but sobering reality

- No vaccines for many other viruses (SARS, MERS, AIDs, Epstein-Barr, etc)
- No effective anti-virals for many viruses (none to date for CoV viruses)
- Evidence on potential for herd immunity uncertain
- Containment worked for SARS, MERS regional epidemics – could it work for a global pandemic?

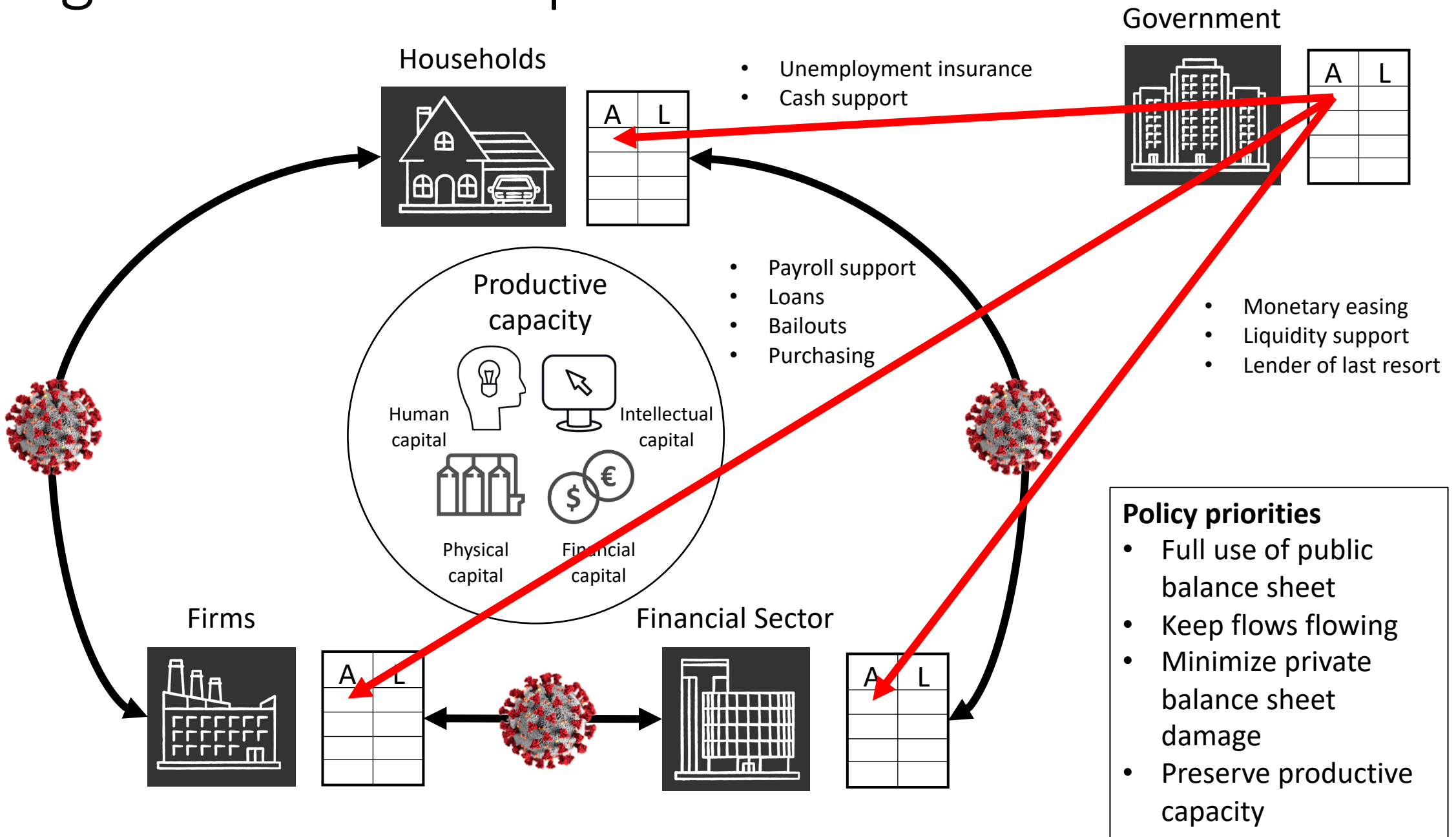


## A bumpy, uncertain road

### Short to medium term

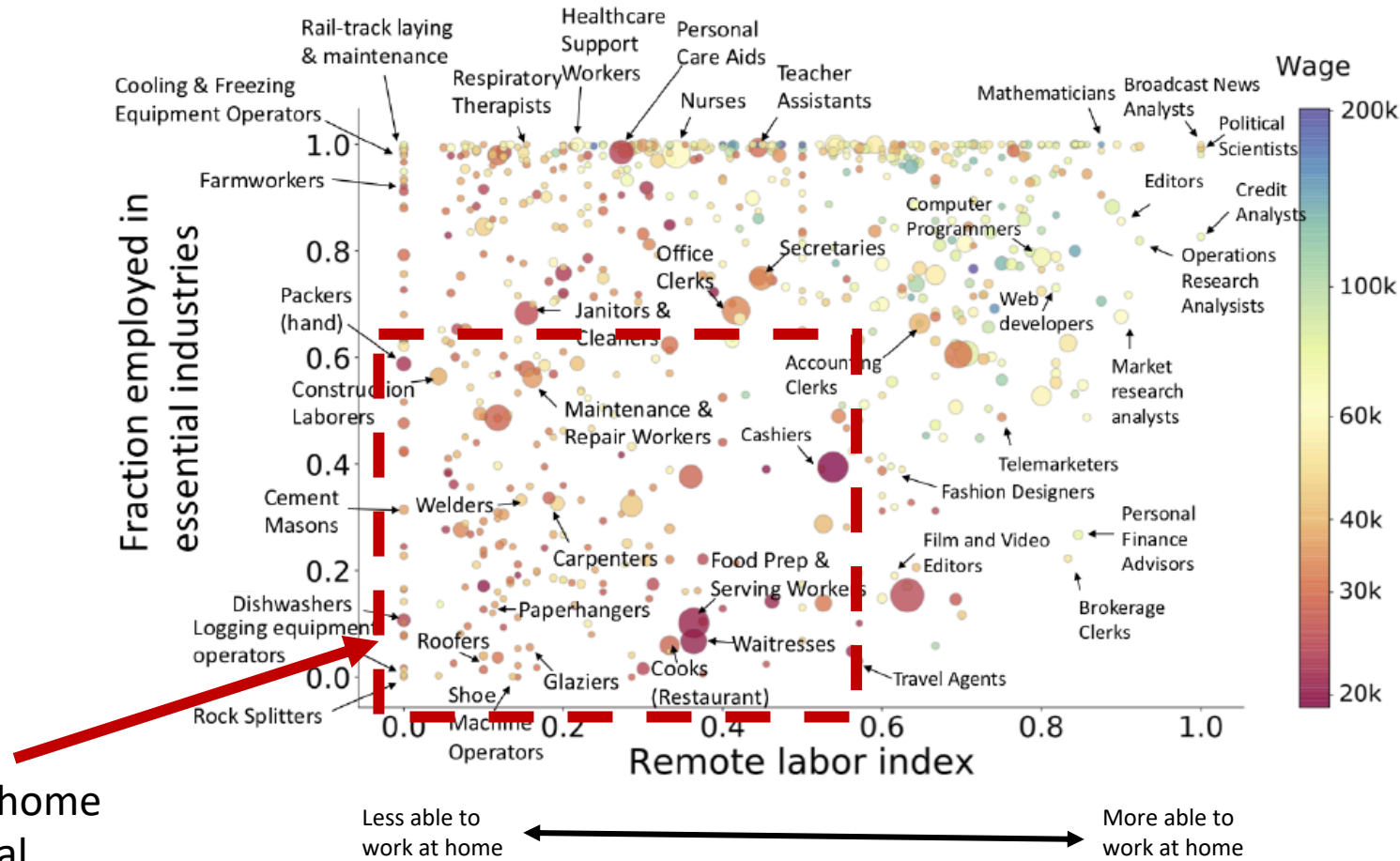
- Multiple waves
- Lockdown/easing cycles
- Ongoing social distancing
- Aggressive testing/containment efforts
- Scientific success and disappointments
- Ongoing economic crisis and need for extraordinary support

# Keeping the economic patient alive



# Economic impacts devastating for lower incomes

Impact of lockdowns by occupation and wages (U.S.)

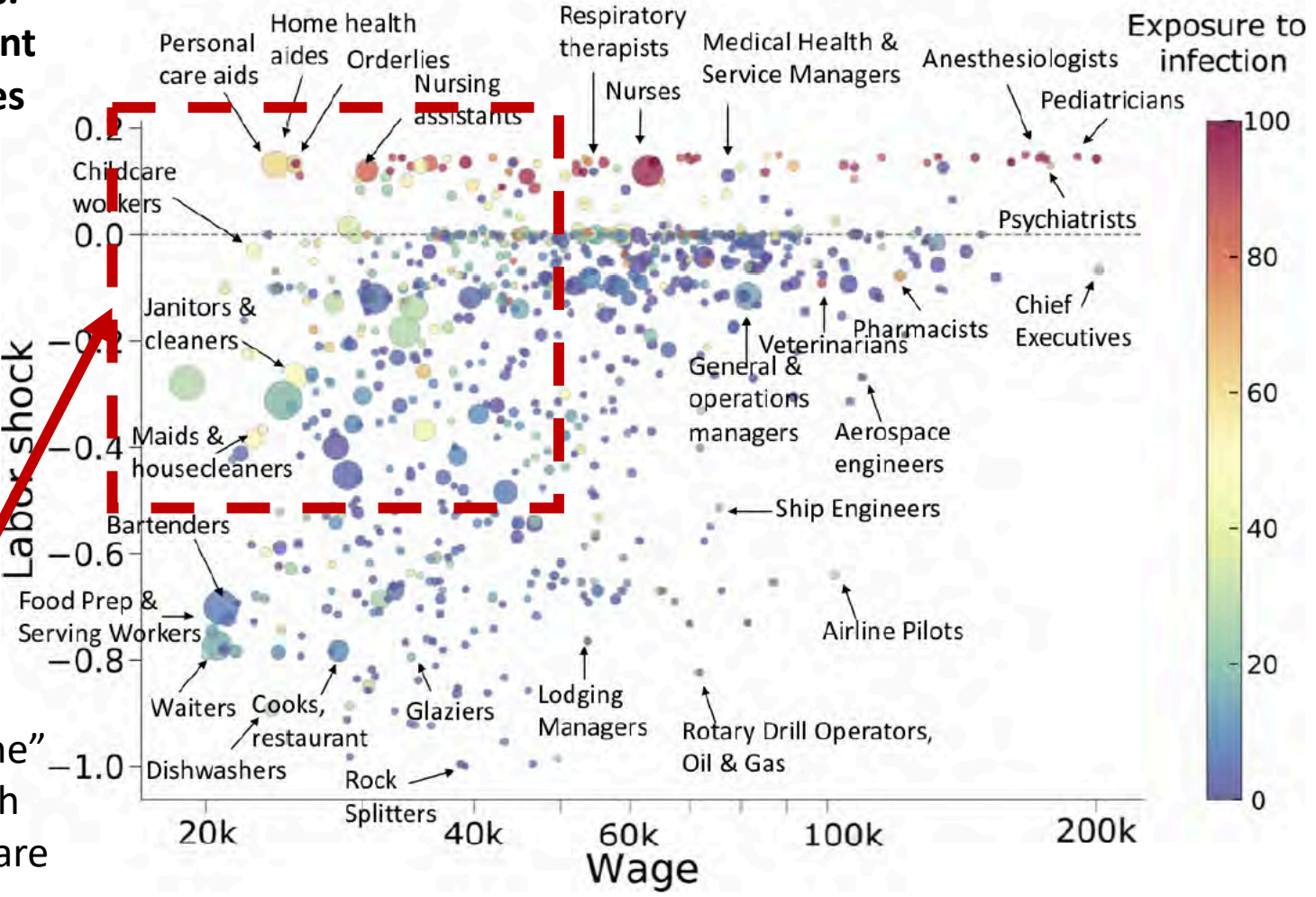


Can't work at home & non-essential industry, mostly lower income workers

	$q_1$	$q_2$	$q_3$	$q_4$	Aggregate
Percentage change in employment	-42	-24	-21	-7	-24
Share of total lost wages (%)	30	23	29	18	-17

# Lower incomes also more at risk from infection

Exposure risk by occupation vs. unemployment risk and wages (U.S.)



Many "frontline" workers at high exposure risk are lower income



- For many lower income workers – risk health or no job
- Higher income knowledge workers – keep job, safe at home

# Economic exit strategies

- NOT health vs. economy zero-sum trade-off
- Economic crisis caused by virus, cannot recover until virus contained/defeated
- No "back to normal" until at least 1 of 4 permanent solutions (see earlier slide)
- Short to medium term
  - Phased, sectoral re-openings
  - Joint analysis of combined health and economic impacts (health impacts, wages, supply chains)
  - Some sectors may not re-open or be significantly limited (e.g. hospitality, tourism)
- Extraordinary government support required at least 6-24 mos.
  - Wage/employment support (preserve incomes, employment)
  - Business liquidity, solvency support (preserve productive capacity)
  - Social support (protect unemployed, elderly, other vulnerable)



# Learning from the pandemic – build back better

1. We live in a system
  - Fragility
  - Robustness
  - Adaptability
2. Listen to science, prepare for risks, create resilience
  - Climate change
  - Cyber
3. Economy embedded in society, not separate
  - Must serve broad human needs (OECD “Better Lives”)
4. A highly unequal society is a fragile society
  - If one part of society collapsing, rest can’t be “fine”
  - Fair social contracts make resilient societies
5. Can mobilize society for common goals
  - Not market vs. state
  - State + market + civil society = solve problems
6. Cooperation is our superpower
  - Prosocial behaviors
  - Scale cooperation from neighborhoods, to nations, to global
7. Need systems thinking to deal with systemic challenges (NAEC)
  - New economic theories
  - New models and data
  - Complex systems approaches
  - Cross-disciplinary
  - New approaches to policy

