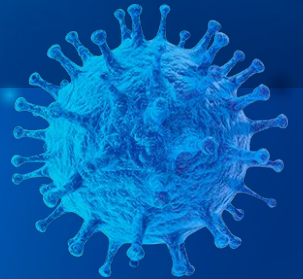
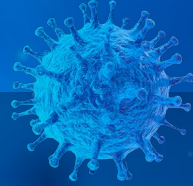


A Post-COVID World

By Jack Silvers



David Klion  @DavidKlion

So no one told you life was gonna be this way 🎵
 🍌🍌🍌🍌🍌

Your job's remote, you're broke, you're hiding from a plague 🎵

7:51 PM · 3/14/20 · Twitter for iPhone

673 Retweets 3,602 Likes

yoni @OriginalYoni · 12h
 Replying to @DavidKlion

It's like you're always stuck in quarantine...

3 1 79

Sarah Kendzior  @sarahkend... · 12h

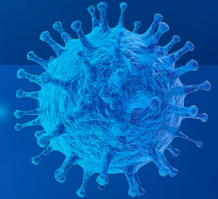
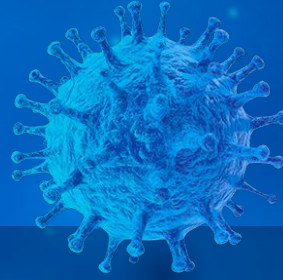
"You might be there a week, a month -- or even a year!" 🎵

2 52



1. Bigger Government

New Deal 2.0 or Big Brother?



“

“COVID-19 is the worst thing to ever happen to limited-government conservatism”

- Ronald Reagan, if he were alive

“

“The era of Ronald Reagan, that said basically the government is the enemy, is over”

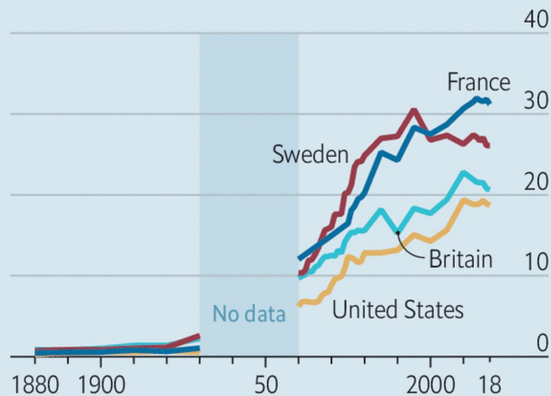
- Rahm Emanuel

States Swell During Crises - Economically

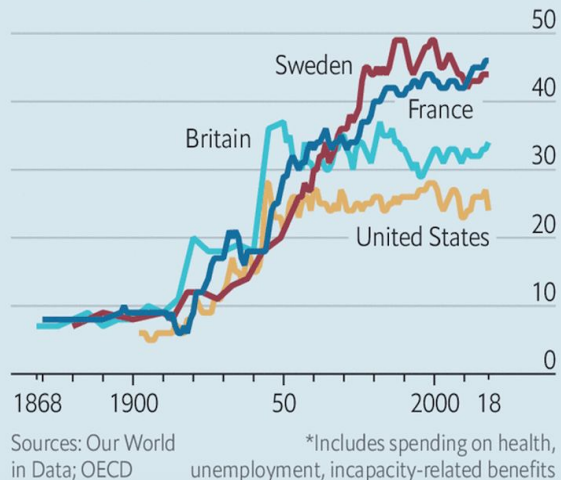
The giant awakens

3

Public social spending*, % of GDP



Tax revenue, % of GDP



Sources: Our World in Data; OECD
*Includes spending on health, unemployment, incapacity-related benefits

Death and taxes

2

Britain*, central-government expenditure
% of GDP



Source: Bank of England
*England's GDP pre-1700

The Economist

States ESPECIALLY Swell During this Crisis

Here's how governments have responded to the economic crisis:

- ▶ China: Freed up \$80 billion for banks to loan to businesses
- ▶ Germany: 350 billion euros (10% of GDP) in aid
- ▶ Japan: relief package worth \$1 trillion (20% of GDP)
- ▶ Britain: ~400 billion pounds in aid (15% of GDP)
- ▶ United States: \$2 trillion stimulus package + \$500 million package

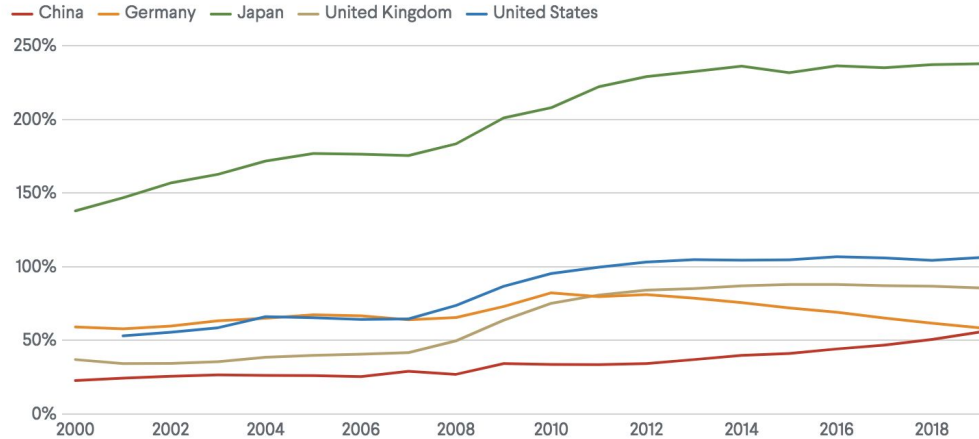
How are they swelling?

- States aren't just spending more money, they are taking on new responsibilities
 - Central Banks are promising to buy unlimited amounts of government bonds, i.e. print as much money as needed
 - Governments are bending over backwards to contain the economic fallout, e.g. Emmanuel Macron: No firm will “face the risk of bankruptcy” because of the pandemic
- These changes create new expectations → they're here to stay

Wait, but how are they paying for this?

Many Countries Already Have High Debt Levels

Debt as a percentage of gross domestic product



Source: International Monetary Fund.

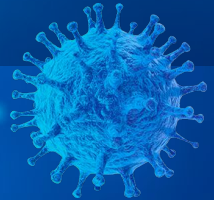
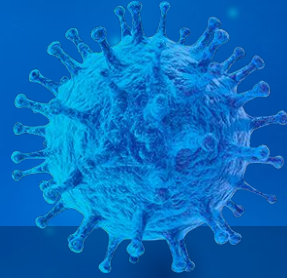
COUNCIL OF
FOREIGN
RELATIONS

States Swell in Other Forms of Power Too

- Citizens tend to trust their government with more powers during a crisis (“rally around the flag”), a good example being the USA Patriot Act of 2001 or Erdogan’s permanent state of emergency
- This is already happening during this crisis
 - ▶ Taiwan, South Korea, and Hong Kong use for documentation + contact tracing
 - ▶ Israel’s security service to track the mobile phones of infected people

2. Rising Authoritarianism

Aka Viktor Orban's Dreams Come True



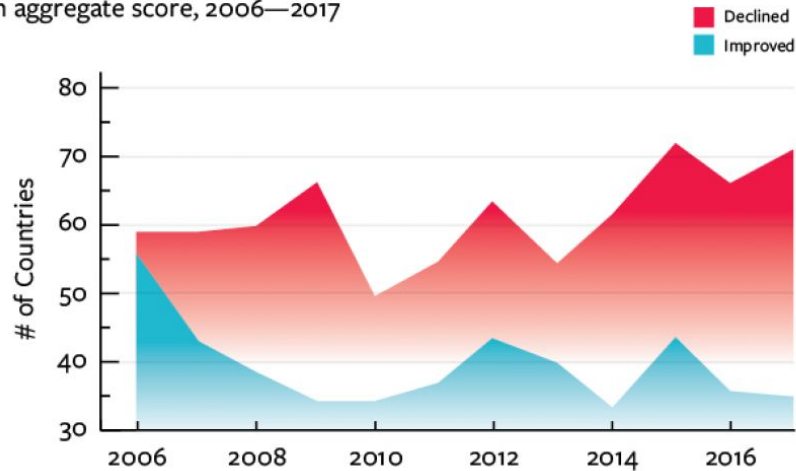
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"When somebody is the president of the United States, the authority is total. And that's the way it's got to be"
- Donald John “Vladimir” Trump

Authoritarianism was already on the rise

Twelve Years of Decline

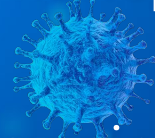
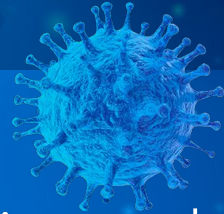
Number of countries that declined and improved in aggregate score, 2006—2017



www.freedomintheworld.org

Why Strongmen Love the Coronavirus

- ▶ It makes it very easy to find **scapegoats**
 - ▷ Ex. Orban: there is a “certain link between coronavirus and illegal migrants
- ▶ It inspires **fear** that governments can take advantage of
 - ▷ Ex. Government of Jordan banning printing of newspapers because they spread the virus
- ▶ Liberal democracies that might punish them for usurping power are distracted



More Pandemic Power Grabs

Weakened constitutions

Selected pandemic-related political acts, 2020

Country	What happened
Hungary	Parliament gives prime minister Viktor Orban almost unlimited powers, with no expiry date
Cambodia	Emergency law allows government to take any “appropriate” measures to fight covid-19, including seizing property and imposing martial law. Penalties include ten years in prison
Serbia	Emergency law in effect puts president in sole charge. New powers include imposing curfews
Turkey	Up to 90,000 prisoners to be released to avoid spreading covid-19 in jails. Political prisoners pointedly excluded
China	Prominent pro-democracy activists arrested in Hong Kong. Government creates gaping hole in the territory’s Basic Law, which protects Hong Kong’s freedoms
India	Ruling party blames Muslims for spread of covid-19. Government slow to quash rumours about Muslims spitting in food. Muslims beaten up
El Salvador	2,000+ people locked up for violating social-distancing rules. Supreme Court orders government to stop arbitrarily putting them in overcrowded detention centres. President Nayib Bukele refuses
Uganda	Police raid a shelter housing 20 gay and transgender people. They are accused of violating social-distancing rules
Togo	President can rule by decree. Relief money goes to those with voter ID cards, which opposition supporters lack after boycotting recent rigged election
Azerbaijan	President vows to use social distancing to “isolate” the opposition, saying it may become a “historical necessity”

Source: *The Economist*

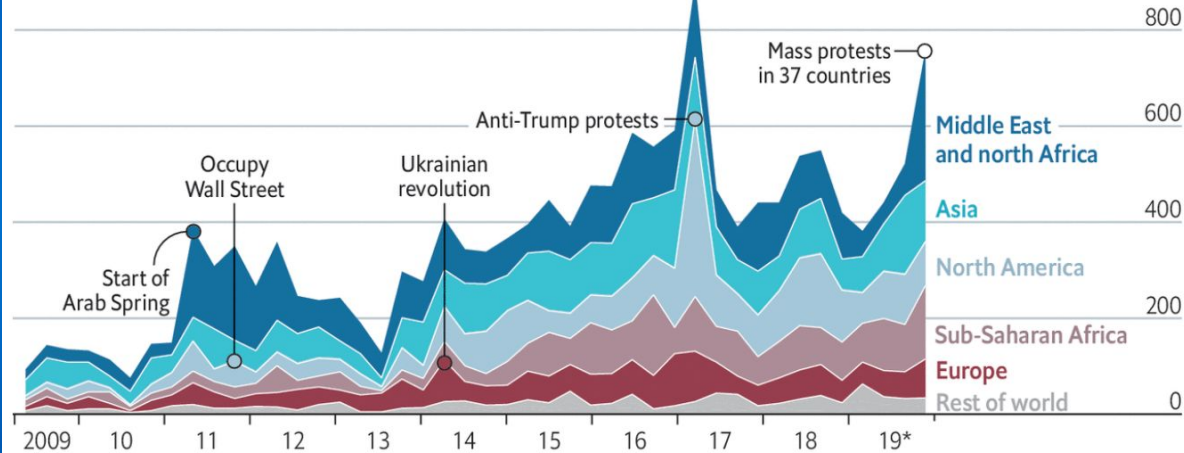
Why does it matter?

- ▶ Democracy promotion is a key part of many Western nations' foreign policies
- ▶ Authoritarianism **almost always leads to poor governance**
 - ▷ Censorship: Suppressing information is terrible during a public health crisis
 - ▷ Violence: militarization of police will increase civilian deaths
 - ▷ Health: Scapegoated minorities won't cooperate with authorities, infectious diseases don't discriminate

How will citizens respond?

Street politics

Civilian anti-government protests, by region



Source: "The Age of Mass Protests: Understanding an Escalating Global Trend", by S.J. Brannen, C.S. Haig and K. Schmidt, 2020 *Q4 estimate

The Economist

The background is a solid blue color with several 3D-rendered virus particles scattered across it. The viruses are spherical with numerous small, protruding spikes or receptors on their surface. They are rendered in a lighter blue color, making them stand out against the darker blue background. The lighting on the viruses gives them a three-dimensional appearance, with some parts being brighter than others.

3. Fractured International Trade

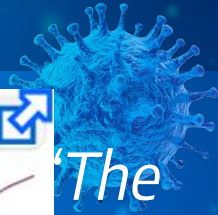
WTNo

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“ It will change the nature of globalisation, with which we have lived for the past 40 years”

- Emmanuel Macron

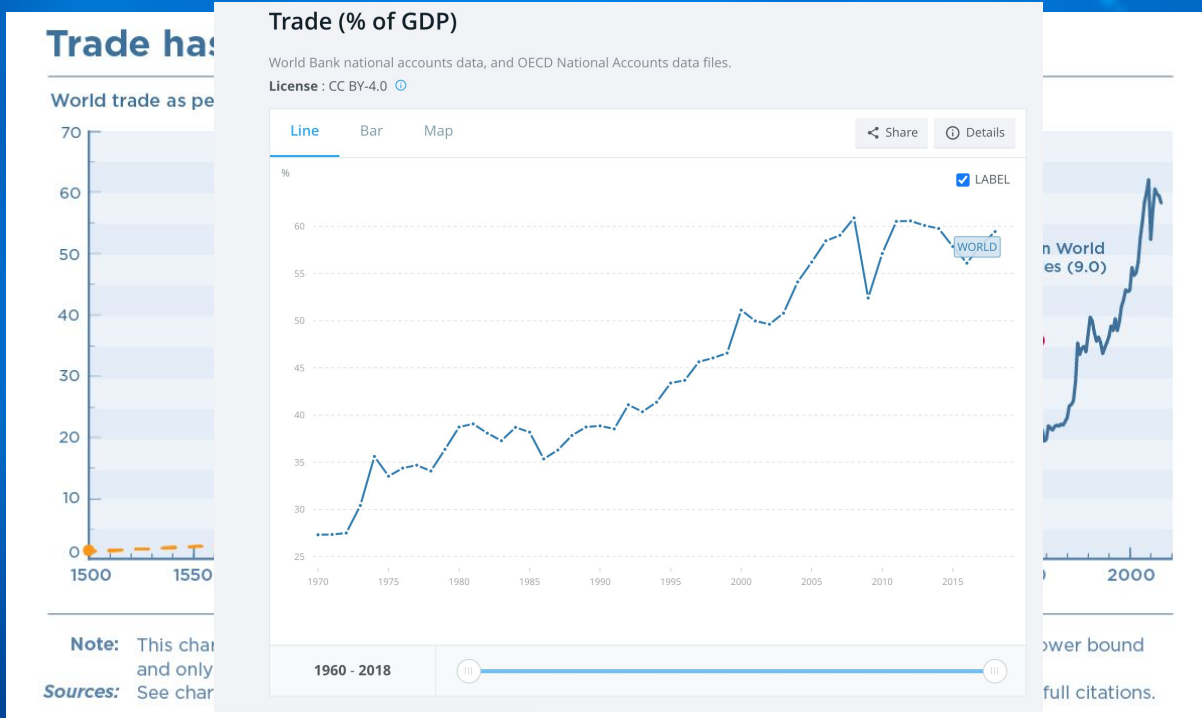
What is globalization?



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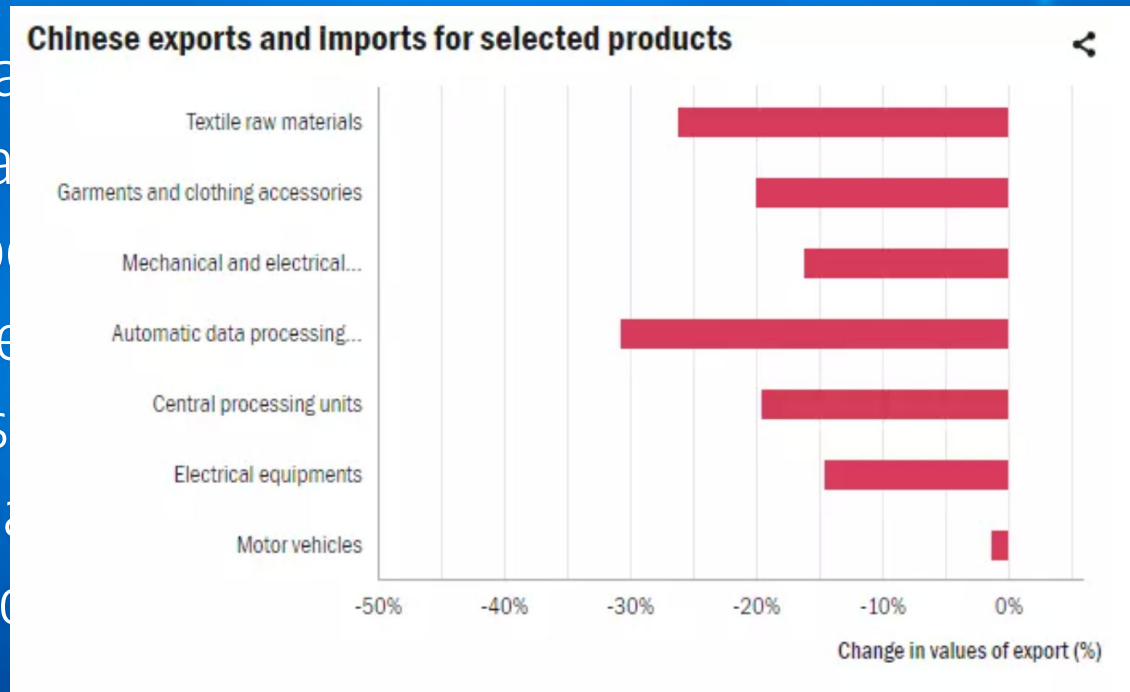
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Global trade over the years



How has the pandemic affected global trade?

- ▶ Most manufacturing exports from China, which ranked first in the global value added chain, have seen a decline in consumer demand.
- ▶ **China** is the largest manufacturing exporter of this pandemic. This is due to the following factors:
 - ▶ Factor 1: China's manufacturing exports are heavily dependent on the global value added chain.



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How are countries rethinking their supply chains?

- ▶ Countries now say they want to reduce their reliance on far-flung supply chains, and are trying to do so
 - ▷ France's finance minister directed French companies to reduce their reliance on China/other Asian nations
 - ▷ US CBP is seizing exports of medical supplies
 - ▷ Japan set aside \$2.2 billion to help manufacturers shift out of China
- ▶ More regionalisation will increase resiliency... but also redundancy₂₃

What about foreign investment?

- ▶ Countries cracking down because of fear that foreign firms will swoop up ailing ones
 - ▷ German, Italian, Spanish governments all tightened screening processes for FDI
 - ▷ Australian government beefed up Foreign Investment Review Board
- ▶ IMF: \$83 capital outflows from emerging market
- ▶ With remittances down as well, emerging markets will suffer

The background is a solid blue color with several 3D-rendered virus particles scattered across it. The viruses are spherical with numerous small, protruding spikes or receptors on their surface. They are rendered in a lighter blue color, making them stand out against the darker blue background. The lighting on the viruses gives them a three-dimensional appearance, with some parts appearing brighter than others.

4. Great Power Competition

THE FINAL COUNTDOWN... to nuclear war?

The background is a solid blue color with several 3D-rendered virus particles scattered across it. The viruses are spherical with numerous small, protruding spikes or receptors on their surface. A dark blue horizontal band runs across the middle of the image, containing the text.

5. Public Health Investment

Hopefully

Questions

1. How will COVID-19 change the international economy?
2. Will authoritarianism reign in a post-COVID world?
3. Who will win from a supply-chain reconfiguration?
4. Will the dollar still be the world's reserve currency in a post-COVID world?
5. Will public debt be a looming economic threat for developed countries after the pandemic?

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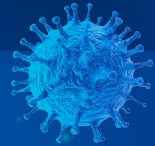
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A picture is worth a thousand words

A complex idea can be conveyed with just a single still image, namely making it possible to absorb large amounts of data quickly.



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