palgrave pivot

Economists and COVID-19

Ideas, Theories and Policies During the Pandemic

Edited by

Andrés Lazzarini

Denis Melnik

Economists and COVID-19

"Bringing together analyses of eight countries from America, Europe and Asia, this book offers an invaluable contribution to understanding the nature and trends of the economic debate in recent years, in which the Covid pandemic led the world into panic and paralyzed national economies.

If governments' responses to the challenge of the pandemic involved interventions in markets and policies often guided more by pragmatism than by orthodox recipes, would the pandemic period mark the demise of neoliberal ideology? Would it be a point of reversal of the economic doctrines and policies that have prevailed since the late 1980s and signal the beginning of a new order?

Investigating the theoretical debate in connection with the concrete measures adopted in each country, the texts that make up this volume offer a unique and essential contribution to understanding the current trends of economic thought and answering these questions."

—Hugo da Gama Cerqueira, *Dean of the Faculty of Economic Sciences, Universidade Federal de Minas Gerais, Brazil*

Andrés Lazzarini · Denis Melnik
Editors

Economists and COVID-19

Ideas, Theories and Policies During the Pandemic

palgrave
macmillan

Editors
Andrés Lazzarini
Goldsmiths, University of London
London, UK

Denis Melnik
HSE University
Moscow, Russia

ISBN 978-3-031-05810-3 ISBN 978-3-031-05811-0 (eBook)
https://doi.org/10.1007/978-3-031-05811-0

This Palgrave Macmillan imprint is published by the registered company Springer Nature Switzerland AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

Contents

Notes on Contributors

Olga Borokh is Leading Researcher at the Russian Academy of Sciences, Institute of China and Contemporary Asia (former Institute of Far Eastern Studies), Moscow. Research interests are the history of Chinese economic thought since the early twentieth century and contemporary economic debates in the People's Republic of China.

Natalia Bracarense is Associate Professor of Economics at the North Central College, in the metropolitan area of Chicago. Natalia acts today as a visiting researcher at Sciences Po Toulouse (LEREPS). Born in Recife (Brazil) Natalia completed her undergraduate and master's degrees in her home country, at the Federal University of Santa Catarina and Federal University of Uberlandia/University of Campinas, respectively. In 2008, she moved to the United States to complete her Ph.D. in Economics at the University of Missouri-Kansas City five years later. With a focus on the fields of International Political Economy, Institutional Economics and History of Economic Thought, Natalia has published papers at the *Journal of Economic Issues* (from which she has won the Editor's price in 2018), Review of Radical Political Economics and Review of Political Economy. She has also edited a special issue for the latter, which was later published as an edited collection by Routledge. Finally, Natalia has contributed to the governance of both AFEE and AFIT and has become part of the Editorial Committee of the Review of Political Economy.

Gabriel Brondino is a postdoctoral researcher at the Universittà Cattolica del Sacro Cuore (Italy). He earned his doctoral degree in economic sciences at the Universidad de Buenos Aires (Argentina). His main research interests are economic development, international economics and input-output analysis. He has published in scientific journals like *Structural Change and Economic Dynamics*, *Review of Political Economy* and *International Journal of Political Economy*.

Clara Capelli is a development economist working in the Middle East and North Africa (MENA) region. She holds a Ph.D. in Economics from the University of Pavia and has worked as an economic development expert for the African Development Bank, the Italian Agency for Development Cooperation and UNCTAD. Her main scientific interests include Development Macroeconomics and International Economics. She has authored several policy briefs on development-related issues in the MENA region for Italian and international think tanks. Her papers are published in *Development and Change* and the *Cambridge Journal of Economics*.

Fernanda Cimini is Professor in the Department of Economics at Federal University of Minas Gerais, Senior Researcher at the Brazilian Center for International Relations (Cebri). She has a Ph.D. in Sociology from UFRJ, with complementary studies in Political Science from MIT. She also holds a M.A. and a B.A. in International Relations at PUC-Minas and a B.A. in Social Sciences at UFMG. Before her tenure position at UFMG, she worked for the Minas Gerais State Government for 8 years, where she was part of the team responsible for the preparation and approval of more than 15 international loans and grants. Her research has focused on International Development, Public Policy and Latin American studies.

Mickaël Clévenot Lecturer at the University of Bourgogne Franche Comté, attached to the Centre d'Economie de Paris Nord. Stemming from the post-Keynesian and Regulationist currents, published a book *Quand les crises reviennent* (2015) with J.Mazier and V. Duwicquet. Articles on monetary macroeconomics and growth regime in *Revue de la Régulation* (France) and *Metroeconomica* (UK).

Débora Freire Cardoso is Assistant Professor at the Department of Economics of the Federal University of Minas Gerais (UFMG), in Brazil. She is also a researcher at the Center for Development and Regional Planning in the same institution. Her research interests are focused on

Inequality, Public Policies, Taxation, Brazilian Economy and Mathematical and Statistical models.

Andrés Lazzarini is Lecturer in Economics at Goldsmiths, University of London. He holds a Ph.D. from University of Roma Tre, Italy. His main research interests are history of economic thought and economic development in historical perspective. He has published a book on the Cambridge controversies titled *Revisiting the Cambridge Capital Theory Controversies* (Pavia University Press, 2011) and his articles have been published on the *Review of Political Economy*, *Review of Radical Political Economics*, *History of Economics Review*, *Research in the History of Economic Thought and Methodology, Investigación Económica*, among others.

Maxim Markov is Associate Professor at the Department of Economic Theory, Saint Petersburg State University, Russia. He specialises in the history of Russian economic thought and public economics, with special interest in ethical problems. In recent years, he authored and co-authored several publication on the subjects, including 'Unknown Ronald Coase', *Economic Policy*, 2016 (in Russian); 'I.I. Rubin at the St. Petersburg University' in *I.I. Rubin: Political Economy in Retrospect* (Moscow, 2017, in Russian); 'Fields of discourse perturbed: the Revolution of 1905 and economic teaching at St. Petersburg University' in J. Hass (ed.) *Re-Examining the History of the Russian Economy: A New Analytic Tool from Field Theory* (Palgrave Macmillan, 2018) and 'The reception of Malthus in Russia' in G. Faccarello, M. Izumo and H. Morishita (eds.) *Malthus Across Nations: The Reception of Thomas Robert Malthus in Europe, America and Japan* (Edward Elgar, 2020).

Denis Melnik is Associate Professor at the Department of Theoretical Economics and Deputy Head of the Center for the History and Methodology of Economic Science of the HSE University (Moscow, Russia). He spent the first decade of his academic career at St. Petersburg University (Russia), where he received his Ph.D. in 2003. In 2011, he joined the HSE University and teaches history of economic thought. He was visiting scholar at the Centro Sraffa in Rome, the New School for Social Research in New York, Kanagawa University in Yokohama. In recent years, he authored and co-authored articles on the history of Russian and Soviet economic thought and on theories and policies of economic development in *Slavic Review*, *History of Political Economy*, *Russian Journal* *of Economics*, as well as chapters in E. Trincado, A. Lazzarini, D. Melnik (eds.) *Ideas in the History of Economic Development: The Case of Peripheral Countries* (Routledge, 2019); G. Faccarello, M. Izumo and H. Morishita (eds.) *Malthus Across Nations: The Reception of Thomas Robert Malthus in Europe, America and Japan* (Edward Elgar, 2020); V. Avtonomov, H. Hagemann (eds.) *Russian and Western Economic Thought: Mutual Influences and Transfer of Ideas* (Springer, 2022, forthcoming).

Marco Missaglia got his Ph.D. in Economics at the University of Pavia (Italy). He is currently Associate Professor of International Macroeconomics at the University of Pavia. His main scientific interests are Development Macroeconomics and Heterodox Macro Models. His papers are published in journals like *Metroeconomica*, *Economic System Research* (*Journal of Input-Output Association*), *Journal of Policy Modelling*, *Review of Political Economy*, *Economia Politica*, among others.

Leonardo Ribeiro is a physicist (Ph.D., Master and Graduation) and, currently, is Professor of Statistical and Mathematical Methods at the Department of Economics of the Federal University of Minas Gerais (Brazil). His research interests are focused on studying the economic system as a complex system, modelling of long-term dynamics of the economic system, building and analysing large economic databases, scientific, technological and economic development and evolutionary modelling.

Alexis Saludjian is Associate Professor at the Institute of Economics, Federal University of Rio de Janeiro (UFRJ), Brazil, and is member of the GAMA/IE-UFRJ (Marxian Research Group on Contemporaneity). He is also member of the Brazilian Political Economy Association (SEP) and Regional integration and Latin American Unity Working Group/CLACSO. He spent a Sabbatical year at Centre d'Economie Paris Nord, France 2020–2021. He has published articles on economic development and critical political economy published in *Revue Tiers-Monde* and *Revue de la Régulation* (France), *Revista Brasileira de Economia Política* and *Ensaios FEE* (Brazil), among others.

Jayan Jose Thomas is Professor of Economics at the Indian Institute of Technology (IIT) Delhi. His research and teaching covers issues related to labour, industrialization and macroeconomics, particularly from an

Indian context. He has previously held positions at the National University of Singapore and Kerala State Planning Board. His research papers have appeared in journals including *World Development*,*Development and Change*, and *Economic and Political Weekly*.

List of Figures

List of Tables

CHAPTER 1

Introduction

Andrés Lazzarini and Denis Melnik

Abstract The Introduction overviews the chapters of the book and highlights main trends and insights suggested by the analysis of country cases.

Keyword COVID-19 · Economists · Economic theories · Economic policies · Public intellectuals

1.1 Introduction

COVID-19 emerged in late 2019. By early March 2020, it had spread to most of the world and had been declared a pandemic by the World Health Organization (WHO). Of the three pandemics the world has witnessed in the twentieth century, the Spanish flu of 1918–1919 hit it

A. Lazzarini (✉)
Goldsmiths, University of London, London, UK
e-mail: A.Lazzarini@gold.ac.uk

D. Melnik
HSE University, Moscow, Russia
e-mail: dmelnik@hse.ru

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0_1

the hardest, causing at least 50 million deaths worldwide (2.7 per cent of the then world population).[1] In the early days of COVID-19, with no effective medical treatments readily available, the shadow of Spanish flu loomed large in public perception. A representative group of earliest-hit countries (China, Japan, South Korea, Italy) immediately set up an array of non-pharmaceutical restrictions, such as bans on international and domestic tourism, national and regional lockdowns, the closure of non-essential businesses and arrangements to work from home to curb infections and prevent health systems from collapsing. The closure of schools, universities, government offices and public places soon followed.[2]

As the virus relentlessly engulfed the rest of the world during March,[3] governments across the globe implemented—though with slight differences in timing—the same restrictions against the novel virus. Along with health advisors, health authorities and logistics experts, economists (both academics and professionals, such as government advisors and policy-makers) also had their say in discussions that led to governments deciding on, then adopting, measures. The consequences of these measures on the economy and society, and their long-term implications, became a bone of contention in public debate in many countries. The much-cited 'health vs the economy' dilemma conveyed the issue at stake before *any* restrictions were implemented. But this trade-off cannot be considered in isolation; it must be looked at within the context of ideas, institutions, communities of experts and opinion-makers and the media in each country.

This book provides an abridged account of these debates for selected countries by describing, classifying and examining each country's intellectual reaction to the pandemic from the point of view of economists and related experts. Short-term questions such as how to finance the cost of lockdowns or whether/when to stop income allowances to the poorest, among others, have been intertwined with long-term issues such

[1] See https://www.cdc.gov/flu/pandemic-resources/1918-commemoration/1918-pandemic-history.htm, accessed 8 March 2022.

[2] For a thorough, daily timeline of the evolution of the pandemic, see: https://www.thinkglobalhealth.org/article/updated-timeline-coronavirus, accessed 8 March 2022.

[3] By early March 2022, there had been 5.9 million COVID-19-related deaths worldwide (0.08 per cent of the world population), far less than the deaths caused by Spanish flu. See Johns Hopkins University Coronavirus Resource Center Dashboard: https://www.thinkglobalhealth.org/article/updated-timeline-coronavirus, accessed 5 March 2022.

as how to tackle income inequalities or breaking away from the dominant austerity paradigm in policy-making. Even deeper issues, such as to what extent the dominant paradigm in economics is able to cope with crises like these, are also discussed. Economists expected COVID-19 to have a massive negative impact on each country's economy, and measures to mitigate the virus were discussed by economists and experts trained in different theoretical schools of thought and familiar with their respective domestic economic problems.

The countries covered in this book are—in chapter order—China, India, Palestine, France, Russia, the USA, Argentina and Brazil. The period covered is March 2020 to the end of 2021.

Each chapter, after outlining the country's salient macroeconomic features before the outbreak of COVID-19, offers an interpretation and reconstruction of the various perspectives held by the community of economists in that country. In this book, the community of economists is largely defined as people working in academia, research institutes, think tanks, central banks, governments and the media, and whose work as scholars, advisors, opinion-makers and policy-makers during the crisis gave them prominence in public debate, thus helping them become 'public intellectuals'. The chapters collected in this edition explain the influence of these public intellectuals in national discussions on how best to face the challenges posed by COVID-19. While some chapters focus exclusively on academic discussions by conducting bibliometric research (Chapter 7, USA), other chapters (Chapter 6, Russia; Chapter 9, Brazil) combine surveys of academic and media economists. Others focus on surveying economists' participation on media platforms (Chapter 5, France; Chapter 8, Argentina) and others on the role of economists in government (Chapter 2, China; Chapter 3, India). Yet all chapters manage to do a good job of categorising the different communities of economists within each country, either in terms of traditional classifications of schools of economic thought between mainstream and heterodoxy (USA, Argentina, Brazil, India, Palestine, France) or in terms of their openness to the influence of foreign (that is, Western) ideas (China, Russia).

Given the diversity of the countries presented here, as well as the nature of this editorial collection, the conclusions drawn from this work can only be provisional.

To summarise COVID-19 related policies in all countries studied, the much-cited 'health vs the economy' dilemma could be useful. Although this dilemma has been considered a false trade-off by some critics of neoliberal ideas, countries have—either explicitly or implicitly—swayed towards one side or the other. For example, while Argentina openly opted for the health side, other countries—such as Brazil and, to a certain extent, India—were implicitly in favour of the business side. China mandated extreme lockdowns and restrictions to protect its people's health and well-being, then was the first country to enter the post-COVID era in 2021, indicating that it had handled the crisis better than many other countries—possibly even the rest of the world—as the government merged the challenges of COVID-19 into the centralised administration of the economy and society.

Another lesson we draw from these chapters is that the pandemic did not lead to any significant changes in existing theoretical approaches or ideological divisions. Rather, economists with different orientations, trained in different backgrounds, elaborated on COVID-19-related policy proposals and continued to propagate their ideas in the same media bubbles as before. Economic expertise certainly proliferated, but the voices of experts were often lost in the babble of information. Nor did governments become more receptive to the diversity of approaches available in modern economics.

All countries discussed in the book set out war-like measures and policies to deal with COVID-19, making them the cornerstones of their responses. Lockdowns, the closing of borders and non-essential businesses, on the one hand, and fiscal and monetary policies aimed at keeping the bare minimum of economic activity, on the other, were a common pattern.

Economic policy during the pandemic was by no means business as usual. At the same time, it can be described using the famous expression from *Alice in Wonderland*: 'It takes all the running you can do, to keep in the same place'.

A standard textbook understanding assumes that the task of economists is to build robust models to test a theory or hypothesis, to provide politicians with a reliable forecast of the economic situation and appropriate policy proposals. During the pandemic, such models and forecasts have abounded. But the extraordinary situation we have all lived through highlighted an important social dimension of how the economic profession functions. To be influential, economists should belong to the establishment and should have access to offices where important decisions are taken—which precludes the formulation of proposals that run counter to the establishment's creeds.

In such a framework, policies can precede models, which was the case during the pandemic. This made economists who did not belong to political, academic or cultural elites either accommodate new trends in their theories or use those trends as targets for critiques of 'the mainstream'. The pandemic did not contribute much to developments in critical approaches to economics. But what happened to 'the mainstream'?

This is the 'great silence' of modern debate: an elusive construct disguised in this book and elsewhere in the literature under labels such as 'mainstream', 'dominant theory', 'liberal/liberalist economics', 'neoliberalism', etc. This was the main target for criticism by diverse communities of 'heterodox' economists in the past. However, rarely have academic economists or public intellectuals who are part of 'the mainstream' acknowledged this allegiance or even conceived of themselves in these terms. For them, it is *the* economics applicable to *the* modern world evolving towards a globalised market unity—a few 'rogue states' and numerous signs of cultural ressentiment notwithstanding. We shall not discuss the definitions or review the vast literature on the subject here. Throughout the chapters we have deliberately left intact the definitions suggested by the chapter authors, assuming that they have a meaning that is relevant to their original context, even if we understand that this may leave much room for ambiguity.

Our reading of the chapters in this volume suggests that most of the policies created to fight COVID-19 upheld the status quo and conformed to the pre-existing theoretical and ideological consensus. These were the 'wartime measures' taken to end the war against COVID-19 and restore normal conditions as soon as possible. These measures were adopted by governments and implemented by the extensive bureaucratic apparatus of modern states. These measures induced the proponents of '*the* economics' all over the world to react to them on theoretical grounds. This task was not trivial, as restrictions put on free trade and individual liberty are contrary to the core ideological principles of economics which were laid down in the eighteenth century, and to its core theoretical assumptions, which began with the advent of marginalism in the 1870s–1890s.

To this end, 'mainstream' (neoliberal, liberalist, etc.) economists demonstrated a remarkable flexibility. That cannot be explained by the shock of COVID-19 alone.

The first major move towards non-orthodox measures hitherto unimaginable in the framework of global consensus over economic policy was made relating to the monetary policy adopted in response to the Great Recession, first in the USA then in Europe. COVID-19 only extended this openness to other spheres. In the same manner, a belief in the virtues of free trade—which has been the pinnacle of economics since the eighteenth century—did not go unchallenged even in the centre of the global economy, as exemplified by the recent outbursts of economic nationalism during the Trump administration in the USA. The switch to the COVID-19 mode of operation was, thus, unprecedented in scope (and was exacerbated by uncertainty about this novel disease and how it would spread) but not in essence.

Since the 1960s and 1970s, the application of the marginalist logic of utility maximisation to the spheres that were originally not considered to be eligible for rational choice (marriage, crime, healthcare, institutions, the accumulation of 'human capital', morals, etc.) has greatly extended the microeconomic foundations of '*the* economics'. Macroeconomic models may still not fully incorporate those developments (although the discipline of macroeconomics has changed significantly since the 1980s and 1990s due to the microeconomic foundations). But students of economics all over the world begin their studies by learning such maxims as 'people react to stimuli'. The implicit meaning of this is: stimuli can be used to adjust human behaviour (to correct the choices they have made resulting from individual utility maximisation) to ensure the maximisation of social utility. Today, it is only natural to understand that 'stimuli' imply 'sticks' as well as 'carrots'.

Here is an interesting result suggested by the chapters in this volume. The 'neoliberal' consensus established since the 1980s still holds in the global arena. The pandemic made neoliberal limits of what is acceptable more paternalistic, but this shift had begun earlier. '*The* economics'—a modern, standardised, internationally acceptable set of economic models, theories and disciplines—demonstrated an openness to policies that could previously have been regarded as 'leftist' or 'authoritarian'.

The situation, however, was not the same in all the nations overviewed in this book.

On one side there is Palestine, a nation without political sovereignty. 'The mainstream' economics reigns in the Palestine economic profession, while Palestine authorities are unable to adjust their economic policies even within the new limits of what is acceptable, due to their lack of political instruments.

On the other side are the advanced nations at the centre of the global economic order—the USA and France. There, the economic profession comprises diverse communities (even if the majority of academic economists belong to 'the mainstream'). Academic debate is intertwined with political and cultural debate. 'The mainstream' in these countries proved to be more flexible in adjusting to the new reality, while these developed economies had the resources necessary to implement hard anti-COVID-19 policies (or try to implement them; in the USA, some measures failed due to political opposition).

In between these, there are big economies in countries that have underdeveloped economic sectors and strong external constraints: Brazil, India, Russia. The standing of 'the mainstream' in universities is strong in these countries, even if it faces a stronger theoretical opposition there than in universities in, for example, France or the USA. However, policy-making in these countries cannot be understood in terms familiar to the West. Despite huge differences between Bolsonaro's Brazil, Modi's India and Putin's Russia, economic policies to fight COVID-19 in these countries were more in line with the neoliberalism of the 1990s, that is of the early Washington Consensus. Social packages were modest, to avoid additional fiscal imbalances, while the restrictions imposed were relatively mild compared with those in Western countries. Not surprisingly, these governments were blamed by critics for prioritising the economy over lives.

Argentine was a special case, due to the peculiarities of its economic and political situation. When COVID-19 hit this country, the new government had to resolve one of the toughest issues it had inherited from the previous administration, which had followed the neoliberal agenda (2015–2019): a multi-billion International Monetary Fund (IMF) loan that had been signed off in 2018, which was the biggest obstacle the country faced to putting its economy back on a growth path. Yet the new government took the deliberate decision to prioritise lives over the economy. A country with a history of political and economic schisms, its economic policies have swayed from 'liberalist' towards more government-regulated policies, with a focus on improving the manufacturing sector and on moving away from its reliance on agro-exports. The latter being the mainstay of the current administration, there was little doubt that the country's long-standing ideological divisions—and how they impinged on economic debate—would reappear in the heated discussions that took place among economists during the COVID-19 crisis.

China stands apart from this classification. There, the role of economists in policy-making is not altogether dissimilar to that in other countries, but the ideology of its political leadership—indeed, China's standing in the global arena—is totally different to that in the 'neoliberal world'. 'Mainstream' economics gained substantial ground in Chinese universities and research centres from the 1990s onwards but, under the current political leadership, it seems, its impact has been curtailed. Western policy towards China has assumed that China's economy becoming part of the global market would eventually transform its political and social system from within. This does not seem to be the case so far. At any rate, China is the greatest unknown, and the developments in Chinese economics during the pandemic outlined in this book appear to be quite revealing in this regard.

This book was intended as a study in the history of recent economics in a range of countries, with COVID-19 as a backdrop. A team of academics have provided a glimpse into how the economic profession has reacted to the many challenges introduced by COVID-19 in different contexts. The task was tricky as this is an ongoing process; we still do not know how this chapter in our history will end. But, historians or not, we all have to face the uncertainty of the future.

CHAPTER 2

China: Interpreting the Economic Impact of the COVID-19 Pandemic in the Context of National Goals

Olga Borokh

Abstract The urgent task of combining anti-epidemic measures with restoring economic activity was the most important focus for Chinese economists up to mid-2020. The main research topic was the growth rates required to meet the national goal of overcoming extreme poverty in 2021. China rapidly entered the post-COVID-19 era. Economists began to discuss the future of globalisation and the sustainability of global value chains. In the context of the normative concept of 'the profound changes unseen in a century', COVID-19 was interpreted as one of the multiple factors driving these changes. Economists took an active part in preparing a new five-year plan of socioeconomic development. Xi Jinping's meeting with leading Chinese economists in August 2020 was of great symbolic significance, since it highlighted the prestige of the profession in the eyes

O. Borokh (✉)
Russian Academy of Sciences, Institute of China and Contemporary Asia, Moscow, Russia
e-mail: borokh@hotmail.com

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0_2

of the authorities. The new policy of 'dual circulation' responded to the effects of the pandemic and the deteriorating external economic environment. In 2021 Chinese economists focused on this policy, along with the tasks involved in the long-term development of China's economy and how to achieve 'the second centenary goal' of comprehensive national modernisation by the middle of the century.

Keywords Chinese economists · COVID-19 crisis · Economic research · The Communist Party of China · Xi Jinping · 'two centenary goals' · The 14th five-year plan

2.1 Reform Policy and Chinese Economists

The path of development of the People's Republic of China (PRC) since the mid-1950s determined the nature of its response to the COVID-19 crisis. On the one hand, the authorities were confident about their ability to mobilise people and concentrate resources in an emergency. On the other hand, during the period of reforms that started in 1978 the government mastered the effective use of instruments of market economic policy. China successfully avoided the external shocks of the Asian economic crisis of 1998 and the global financial crisis of 2008. In 2003 it quickly suppressed the SARS epidemic. When the COVID-19 crisis arose, China combined centralised political command with focusing its attention on a rapid recovery of economic activity.

Prior to the COVID-19 crisis, the Chinese leadership had recognised the objective and irreversible nature of the slowdown in economic growth. In 2014, the official concept of a 'new normal' sent a signal that it was impossible to return to the high double-digit growth rates of the PRC's economy. The shift from striving for high quantitative indicators to ensuring the quality of growth has become the main feature of the 'new normal'. In 2015, the idea of 'supply-side structural reform' was officially introduced. It aimed at reducing excess production capacity and unsold stocks, de-leveraging corporate debts and cutting costs. The liquidation of the 'zombie enterprises' that had become non-viable was declared an urgent task.

The 'new normal', 'supply-side structural reform' and the goal of building a modern 'innovative state' became fundamental components of Chinese economic policy from 2015 onwards. All these basic concepts were proclaimed by Xi Jinping. This led to the formulation of 'Xi Jinping's economic ideas of socialism with Chinese characteristics for a new era' that underpin a normative reading of economic theory. Chinese economists have begun to comment on these 'economic ideas'.

The specifics of economic studies in modern China have been formed by the influence of two ideological and theoretical trends.

First, the scholarly community is influenced by the official ideology of the Communist Party of China (CPC), which has Marxism and 'Mao Zedong thought' as its integral parts. At the same time, contemporary Chinese economic thought is different from the Soviet version of political economy, mostly due to the official recognition of the market economy in China. In 2013, the 3rd Plenary Session of the 18th CPC Central Committee declared that the market should play a decisive role in resource allocation.

Second, the Chinese professional community is open to foreign economic ideas. Many Chinese economists were educated in the West, primarily in the USA. The most intense borrowing of Western economic ideas took place in the 1980s. During this period, the interaction of Marxist political economy and Western theory in Chinese economics resembled a 'zero-sum game', when the spread of Western concepts and textbooks reduced the sphere of influence of Marxism. At the beginning of the new century, the authorities restored the balance of the two intellectual currents by providing targeted support to Marxist studies; the task of adapting foreign theories to Chinese practice came to the fore.

In the early period of reforms, the difference in approaches within the professional community was clearly visible. The supporters of a dogmatic understanding of the planned economy opposed the reformers, who advocated market transformations. The conflict eased in 1992, when Deng Xiaoping called for accelerating reforms, warning that leftist views bring the most damage. Since then, the significantly weakened 'conservative' supporters of the planned economy have no longer been an obstacle to market reforms in China.

In the late 1990s, growing income inequalities in China and widespread dissatisfaction relating to social injustice led to the rise in popularity of the 'New Left'. They criticised the mainstream pro-reform economists for promoting Western neoliberalism in China, justifying social inequality and allowing state economic assets to be transferred into the hands of Chinese oligarchs and foreign capitalists.

The authorities have responded to this challenge in the fields of ideology and social sciences. In the early 2000s, a campaign of academic criticism of neoliberalism prompted economists to publicly dissociate themselves from this ideology. Simultaneously efforts were made to reinforce the position of Marxism in economic education and research. The policy of market reforms has remained unchanged, though.

Chinese economists continued to borrow from the achievements of Western economics. In 2016, Xi Jinping announced the sinification of economic research. He encouraged economists to build social sciences with Chinese characteristics, 'style' and 'colour', to bring together Marxism, Chinese traditional thought and Western theories (Xi Jinping's speech, 2016). In the field of economics, implementing these tasks has strengthened the positions of the Marxists and stimulated attention to the history of Chinese economic thought.

The theme of the influence of public intellectuals, including economists, was very popular in China in the mid-2000s. Now its relevance is greatly diminished, thanks to the strengthening of the CPC's power and the consolidation of the ideological consensus. Chinese economists do not express open criticism of government policies.

Absence of big debates and controversies in the professional community can be partly explained by the disappearance of clear dividing lines among economists. The confrontation between 'conservatives' and 'reformers' is a thing of the past. The 'New Left' has become part of the ideological and theoretical mainstream. Nowadays, Chinese authorities are paying much more attention to supporting socially vulnerable groups and establishing a legal framework for the activities of big business than they did 15 or 20 years ago. Open complaints about the lack of decisiveness in economic reforms in China are rare. This can be explained by the strengthening of ideology and more public support for the policy of sustainable economic development and stable movement in the direction of 'common prosperity' without shocks and further income polarisation.

2.2 Economic Research During the Fight Against the Epidemic

The official history of the battle against the COVID-19 epidemic was presented in the white paper 'Fighting COVID-19: China in Action', released by the State Council Information Office of the PRC in early June 2020. The four-month period is divided into five stages beginning from the swift response to the epidemic on 27 December 2019 to normalising the situation after 29 April 2020 (Fighting COVID, 2021).

By the end of 2021 there were no more waves of the epidemic in China. Thanks to the zero-tolerance strategy, since spring 2020 all outbreaks of COVID-19 in China have been rapidly contained.

Centralised leadership, an approach using mass mobilisation, and strict quarantine measures left no room for academic debates on the economic consequences of the anti-epidemic policy. At a meeting of the Standing Committee of the Political Bureau of the CPC Central Committee on 25 January 2020, Xi Jinping said: 'Human life is more important than Mount Taishan. Fighting the epidemic is the command, work on prevention and control is the responsibility' (People's Daily, 2020).

Before the epidemic, Chinese propaganda focused on Xi Jinping's words that the world was entering a period of profound changes that had not been seen in a century. This emphasis on being prepared to face significant unpredictable challenges helped to mobilise the Chinese elites and society to resist the epidemic. In 2018 Xi Jinping emphasised that an era of change brings not only challenges, but also unique opportunities for China (People's Daily, 2018). The concept of 'changes unseen in a century' promoted the spirit of proactive adaptation to global changes in a way that would benefit China's development. The impact of the epidemic on the global economy has been perceived by Chinese researchers as part of these 'changes'.

The slogans 'the Chinese dream of the great rejuvenation of the Chinese nation' and 'two centenary goals'—to build a moderately prosperous society by the centenary of the founding of the CPC in 2021 and a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious by the centenary of the founding of the PRC in 2049—served as major reference points for anti-COVID-19 strategy. Efforts to restore economic growth were motivated by a political understanding that a long-term slowdown would make it impossible to fulfil the promise to eradicate absolute poverty by the anniversary of the founding of the ruling party.

Normative interpretations of the external situation and internal development goals of China similarly assessed the situation on the scale of a century ('changes unseen in a century', 'two centenary goals'). The response to the epidemic crisis involved using familiar tools of political governance and macro-regulation to continue working on long-term, large-scale tasks in a changed environment. That was the cornerstone of consensus in the professional community at the start of the epidemic.

After rapidly suppressing the epidemic, the authorities were able to ensure the stability of the internal political cycle. The Government Work Report presented at the National People's Congress (NPC) session did not set a gross domestic product (GDP) growth target for 2020, thus recognising that elements of uncertainty and unpredictability remained. In 2019, the actual growth rate was 6.1%. Anti-epidemic isolation measures led to the fall of real GDP growth to −6.8% in the first quarter of 2020; the subsequent recovery allowed China to end the year with positive growth of 2.3% (Statistical Communiqué, 2021).

The programme of actions to revive economic activity outlined in the Government Work Report sent a positive signal to markets and set a reference point for discussion in the economic community. In the second quarter of 2020, the Chinese government launched a large stimulus package to revive the economy. Both fiscal and monetary measures were utilised. The researchers note that tax reductions and cheap credit for small- and medium-sized enterprises in affected industries and regions have created jobs and stimulated production and investment (Wei, 2020). The secondary sector of the economy suffered more than others, due to a decrease in global demand and a shrinking domestic supply of labour caused by lockdowns and mobility constraints. The spread of online services and information technologies helped to cushion the fall of the tertiary sector.

2.3 Main Fields of COVID-Related Economic Research

The academic interests of Chinese economists in 2020 were analysed in a bibliometric study of key words in journal articles published during 2020 and indexed in the China National Knowledge Infrastructure (CNKI) 'Economics and Management' database and in the Chinese Social Sciences citation index. The study counted 24,299 articles registered in both databases as of 16 February 2021. It turned out that the top key word was the 'One Belt, One Road' initiative. According to this study, the topic of the epidemic was ranked tenth in Chinese economic publications. It lagged behind the problems of rural revitalisation, high-quality development, targeted poverty alleviation, an innovative economy and structural transformations.

There were three main research fields within Chinese epidemic-related economic publications. The first assessed the impact of the epidemic on the Chinese economy and suggested measures to restore economic activity. The second area focused on the impact of COVID-19 on the global economic and political situation, and on the modernisation of the global governance mechanism. Finally, the third was related to assessments of risks and opportunities for China's development in the context of changes in the global economy caused by the pandemic (Luo et al., 2021, pp. 39, 55–56).

China's intensive struggle against the epidemic was short. Chinese economists supported the official policy of concentrating all efforts on combating the epidemic. Articles written at that time were few, and were published after the topic had lost its practical relevance. In the subsequent period of prevention and control of the virus, scholars focused on the impact of COVID-19 on supply chains and on the recovery of economic activity.

At the start of the fight against the virus, when Chinese economists did not yet have data to assess the consequences of the epidemic, some researchers turned to the methodology for studying epidemics and the impacts of epidemics on the economy. They were particularly interested in the topic of economic losses caused by epidemics, as well as in the role of prevention and treatment of diseases in improving public welfare.

Epidemiological economics was new to China, therefore researchers summarised recent worldwide developments in the field and compiled bibliographies of related works by foreign authors. It was noted that studies in epidemiological economics would gain more popularity following the implementation of the 'healthy China' strategy until 2030, which had been put forward by the government before the outbreak of COVID-19 (Xing & Tian, 2020). Chinese researchers proposed to base studies on the theory of the economics of epidemiology on Big Data analysis and the use of artificial intelligence (Yin & Wang, 2020, p. 108). Scholars also addressed ancient history to demonstrate the continuity of national traditions in combating epidemics. The experiences of isolating patients during the old dynasties and the use of Chinese medicine for treating disease had become relevant again (Zhang, 2021).

The mainstream research priorities of early 2020 can be illustrated by the Institute of Economics, Chinese Academy of Social Sciences (CASS)'s Zhang Ping and Yang Yaowu's analysis of the impact of the epidemic on the growth of the Chinese economy. Based on activity data from small and medium-sized enterprises, they estimated the loss of working days and deviation from the normal economic growth trajectory due to the slow resumption of work in the first quarter of 2020. Researchers noted that, while the epidemic did not change long-term economic trends, its short-term heterogeneous impact on different regions, industries and social groups could not be overlooked (Zhang & Yang, 2020).

Liu Wei (People's University of China) stressed that in the course of the implementation of supply-side structural reform, the shock that COVID-19 caused the Chinese economy and the subsequent process of recovery set clear requirements for an adjustment of monetary policy (Liu, 2020).

Lei Da and Wu Jingmin observed that the impact of the pandemic came simultaneously from two sides—supply and demand. This made it difficult to use traditional anti-crisis measures to support aggregate demand. On the demand side, limited mobility of the population led to a decrease in income. On the supply side, mobility constraints hit production, led to supply chain disruption, and lowered the incomes of small enterprises, leading to a higher risk of bankruptcy (Lei & Wu, 2020).

Cai Fang (CASS Vice President) reasoned that the epidemic turned into a test of adherence to the principles of social justice in the distribution of income. During the COVID-19 crisis, developed countries acted ineffectively and did not demonstrate the advantages of a high level of per capita income, advanced science and technology, or abundant healthcare resources. One of the reasons for this is the dominance of 'trickle-down economics' in these countries. Neoliberal tax-cutting policies increase the pie, but do not solve the problem of unequal distribution. Cai Fang suggested that in future 'trickle-down economics' should be abandoned and replaced by a different concept that puts people at the centre and uses an alternative mechanism to support the population in a crisis. China, which focuses on ensuring people's well-being via governmental provision of basic public goods, can become the possible source of this new approach (Quan et al., 2020, pp. 9–11).

Pan Yingli (Jiaotong University, Shanghai) worried that, as the global economy entered a period of depression, it would be difficult to resist the downward trend in the Chinese economy. The reason was that, in the past, China relied too heavily on external markets, technologies and resources. Against the background of deglobalisation, the Chinese economy came under the pressure of deindustrialisation. The Chinese industry could grow stronger only by 'losing weight': it would be necessary to get rid of excess production capacity and carry out deleveraging to prevent financial risks (Quan et al., 2020, pp. 21–23).

Chinese researchers expressed concern about the lack of effective international coordination in countering the global economic downturn, and called for new rules in international trade. Huang Jianzhong (Shanghai Institute of Foreign Trade) stressed that the cause of deglobalisation was not the epidemic, but structural contradictions in the real economy, income polarisation and changes in US policy. The epidemic had activated 'the circuit breaker' of globalisation, disrupting global value chains on both the supply and demand sides. This led to the fragmentation of the global economy and demonstrated that the role of the policy of large-scale, 'flood-like' stimulus was becoming less significant (Quan et al., 2020, pp. 24–26).

The professional community debated the role of institutional and cultural factors in the fight against the pandemic. Chinese economists Li Pengfei, Lu Ming and Zheng Yilin pointed out that practices of public hygiene and widespread wearing of face masks in Asia were rooted in cultural tradition, including the Confucian emphasis on the individual's personal contribution to social stability and well-being. Asian governments adopted comprehensive lockdown policies during the initial outbreak of the epidemic because they were confident of citizens' support for their actions. While culturally rooted values helped to rally the population to respond to the pandemic, government policies also played a major role. China's spatial and urbanisation features also influenced the pattern of transmission of infection within the country. The Chinese government was very interventionist at a micro level. The authorities mobilised the population to support work on locked-down neighbourhoods, tracing contacts and testing residents. They also used micro-targeting economic measures, such as direct financial support for the poorest groups and some enterprises. This allowed the economy to keep moving towards China's long-term development goals (Li et al., 2020).

Since the second half of 2020, Chinese researchers have turned to studies of economic development in the 'post-epidemic era'. By this time, the professional community was confident that in China the epidemic was a thing of the past. This led to a shift in the focus of research interests, away from the short-term problems of fighting the virus towards the long-term global consequences of the pandemic.

2.4 Economists and Political Leadership

When anti-epidemic restrictions were lifted, the Chinese leader Xi Jinping formulated a new economic strategy of 'dual circulation': this called to prioritise domestic demand and to rely more on the 'internal' cycle of production, distribution and consumption. China should remain open to the 'external circulation' of international trade and investment, thus enabling internal and external circulation to boost each other (Xi, 2020, p. 5).

Xi Jinping introduced this policy on 10 April 2020 at the 7th meeting of the Central Economic and Financial Affairs Commission. He said: 'Since the beginning of the COVID-19 epidemic outbreak, I have presided over many meetings and have given a lot of instructions to promote the proper handling of epidemic control and economic and social development work. At the same time, in connection with the prevention and control of the epidemic, I also thought about major issues related to the country's medium- and long-term economic and social development' (Xi, 2020, p. 4). Here, Xi Jinping clearly claims authorship of the 'dual circulation' strategy. This has excluded economic research bodies or individual scholars from claiming 'co-authorship' and the possibility of public recognition for this.

In 2020 the fight against COVID-19 coincided with preparations for the 14th Chinese five-year plan (FYP) for 2021–2025; this made it possible to incorporate anti-crisis measures and 'dual circulation' in the final version of the plan.

In August 2020 Xi Jinping met with leading economists to discuss the 14th FYP. The meeting demonstrated the Chinese leader's interest in direct communication with economic policy researchers. Xi Jinping listened to his guests and praised their intellectual contributions: 'Just now, experts and scholars have made very good speeches. Starting from their respective professional fields, everyone put forward valuable opinions and suggestions on the development environment, ideas, tasks and measures for the 14th FYP period. I was very inspired by this, and other experts participating in the conference submitted written speeches. I ask the concerned sides to study and absorb them' (Xi, 2021, p. 4).

After that, Xi Jinping expressed his own opinions regarding the 'correct understanding and mastering' of the major issues of socioeconomic development. He elaborated on the CPC's expectations of economic research and set priority tasks for further exploration.

Xi Jinping stressed that the 14th FYP is the first FYP on the path to the second centenary goal. He urged the experts to work for the future and quoted from the classical Confucian text *The Doctrine of the Mean*: 'In all things, success lies in previous preparations; there will be failure without previous preparations' (Xi, 2021, p. 4). He reminded the experts that theory stems from practice and is used to guide practice; researchers' mission is to master the 'themes of the era'. The practice of reforms and modernisation of China is a rich mine for theory and policy research. Chinese economists and social scientists have a lot of work to do, and proper use of resources from this rich mine will enable them to contribute to the development of theory. To succeed, Chinese scholars must adhere to Marxism, proceed from the situation in their country, understand the real situation, see the essence through the phenomena and establish an international vision (Xi, 2021, p. 10).

The list of attendees at the meeting provides a glimpse into the composition and areas of interest of the 'core of the mainstream' of the Chinese expert community. The writings and public statements of nine economists who spoke at the meeting can provide insights into the views of the key representatives of the mainstream who made the most significant contributions to the development of China's economic policy.

Director Emeritus of the National School of Development of Peking University, Lin Yifu is the former First Vice President and Chief Economist of the World Bank. After returning to China, he developed and promoted the theory of new structural economics. He argues that government should play an active role in identifying and supporting industries that contribute to growth. He is known for his forecasts. In 2020 he said that the potential annual growth rate of China could reach 8%: this would allow China to overtake the USA as the world's largest economy by 2030. In his opinion, in 2020, China successfully passed the 'exams' of the pandemic and tensions with the USA. Lin Yifu predicted a 'V-shaped' economic rebound, but cautioned that China would inevitably have to handle difficult relations with the USA and deal with other challenges, which are part of the 'profound changes unseen in a century' (Lin, 2020).

Vice President of the China Society of Economic Reform, Fan Gang rose to prominence in the 1990s as a young, bright advocate of reforms. He co-founded the club of reform-minded economists with Vice Premier Liu He, who has a reputation for being Xi Jinping's top economic adviser. Fan Gang also heads a China Development Institute in Shenzhen.

Jiang Xiaojuan, Dean of the School of Public Policy and Management at Tsinghua University, took up this position after working for two decades in the State Council Research Office of the PRC, where she gained experience in theoretical study and the practical development of public policy. She is a well-known expert in macroeconomics and industrial economics. Recently she has been focusing on issues relating to the internet economy and the digital economy.

Cai Fang explores problems relating to population, labour and employment. He advocates balancing the impact of a shrinking labour force by facilitating internal migration and providing migrants with better education to increase labour productivity. Cai Fang urges the acceleration of the reform of the household registration system, which slowed the return of rural migrant workers to cities after the epidemic was brought under control. In May 2020, Cai Fang noted that its high-quality labour force will remain a great advantage for China, allowing it to catch up with the West in technology.

President of the Chinese Academy of Macroeconomic Research under the National Development and Reform Commission, Wang Changlin studies economic problems relating to technology and innovation policy. He contributed to the development of China's plan for new strategic industries.

The Chairman of the National Institute of Financial Research at Tsinghua University, Zhu Min previously served as Deputy Managing Director at the International Monetary Fund. Before this, he held senior positions at the People's Bank of China and the Bank of China. He is known as an expert in the world economy, finance, banking and macroeconomics. Zhu Min favours the expansion of China's role in global governance and the internationalisation of the Chinese yuan.

Lu Ming, who was born in 1973, is a professor at Antai College of Economics and Management at Shanghai Jiaotong University. He was the youngest economist at the meeting with Xi Jinping. He specialises in labour economics and problems relating to urbanisation and regional development. He suggested focusing China's urbanisation plans on its big cities, abandoning the previous policy, which was aimed at the development of small cities.

The Director of the Institute of World Economics and Politics (IWEP) at the Chinese Academy of Social Science (*CASS*), Zhang Yuyan is known as a firm supporter of a policy of openness and of China's broader participation in the global economy. He recommends that China adheres to World Trade Organization (WTO) rules and counterbalances US unilateralism by building an open multilateral trade system.

The Head of Global and Contemporary China Studies at the Chinese University of Hongkong (Shenzhen), Zheng Yongnian promotes ideas about China's development strategy, governance and foreign policy outside China. He advocates deepening reforms and increasing economic openness.

In 2014 and 2016, Xi Jinping convened 'meetings of economic experts' to collect their opinions on the current situation (Lin Yifu and Fan Gang attended both meetings). The August 2020 meeting featured a broader range of participants, including experts on social issues, and focused on long-term plans for economic development. The event demonstrated that the government and experts share a conviction that issues relating to people's welfare and employment will occupy a prominent place in China's future development strategy.

In October 2020, the 5th Plenary Session of the 19th CPC Central Committee approved recommendations for drawing up the 14th FYP for the Social and Economic Development of China. From late 2020 to early 2021, the strategy of 'dual circulation' and its role in the new FYP became the key topic in Chinese economic publications.

2.5 Discussions on 'Post-Epidemic' Economic Strategy

Comments by Chinese economists published after the 5th Plenary Session of the 19th CPC Central Committee highlighted the new 'post-epidemic consensus' in economic policy.

Zhang Jun, Head of the School of Economics at Fudan University, stressed that China needs to avoid 'self-circulation' in pursuing the 'dual circulation' strategy. He referred to historical experience to state that excessive reliance on domestic demand can lead a large economy to relative isolation and 'involution'. The latter term, which refers to 'low-level equilibrium', has become very popular on the Chinese internet. Large countries have their own markets and accumulation opportunities, so they can easily underestimate the long-term benefits of globalisation. To avoid low-level internal circulation, a large country needs to use external markets and needs foreign direct investment to catch up with more advanced countries in technological development (Cai et al., 2020, pp. 13–15).

Fan Gang (2020) emphasised that China needs external circulation to overcome backwardness and develop more advanced technologies. He noted that the traditional version of the theory of import substitution, which emphasises the development of industries with comparative advantages, has been applied by many countries in Latin America, but that they failed to become developed. One of the reasons for this was that industries that enjoyed the protection of the government did not become internationally competitive: it is impossible to compete without knowing the international standards. Fan Gang admitted that in China internal economic development has always prevailed. Only in the years of reforms has the model of 'markets outside, technology outside' emerged. This strategy, or external circulation, allowed China to borrow advanced technologies from developed countries.

Pei Changhong, Liu Bin and Yang Zhiyuan noted that, even after the emergence of 'black swans' like the COVID-19 epidemic, trade disputes, and the wave of deglobalisation, Chinese products remained highly resilient. They did not fall into the 'comparative advantage trap' (where a country concentrates on the export of low-processed, labour-intensive products, and its advantages gained in trade with developed countries become unsustainable). Due to diversification and the continuous accumulation of comparative advantages, the international competitiveness of Chinese industry has increased so that, in 2020, China's exports and imports continued to rise (Pei et al., 2021).

The Central Economic Work Conference held in December 2020 highlighted the strategy of expanding domestic demand and advancing the 'dual circulation' development model. It emphasised that supply-side structural reform should be taken as the 'guiding line', while the importance of demand-side management is increasing. Chinese researchers noted that this was the first major policy statement on 'demand-side management' since the launch of supply-side structural reform in 2015 (Huang & Chen, 2021).

In March 2021, the 14th FYP and development targets up to 2035 were approved at a session of the NPC. This completed the process of adjusting China's economic development strategy. New economic ideas that were announced in spring 2020 became part of national economic policy after a period of discussion that lasted a year.

2.6 Conclusion

Fighting the pandemic has become an important story in China's modern political history. In November 2021, the 6th Plenary Session of the 19th CPC Central Committee adopted a resolution summarising the party's 'major achievements and historical experience' over the past century (People's Daily, 2021).

The document proclaimed that the CPC Central Committee had responded 'decisively and calmly' to the sudden outbreak of the COVID-19 epidemic, put people and human life above all else, and set out the general requirements to stay confident, stand united and adopt targeted measures and a science-based approach. The value of using warlike rhetoric during the fight against the epidemic ('people's war', 'total war', 'blocking war', 'defence war' in Hubei province and the city of Wuhan) was endorsed. This was a period of public mobilisation and consolidation; there was no room for scholarly discussion.

Economists focused on analysing the impact of the pandemic on economic trends, such as deglobalisation, the isolation of national economies, the expansion of the practice of 'trade wars' and unilateral sanctions.

The official recognition of the entry of the Chinese economy into a 'new normal' influenced the government's approach to the fight against the epidemic. Initially, the 'new normal' meant that China's resources for extensive development were close to depletion, so China had to adapt to the slowdown in growth while improving the quality of economic growth. Rising tensions with the USA and the impact of the pandemic on the world economy added external negative factors to this interpretation of the 'new normal'. The pandemic was one of the reasons behind the new 'dual circulation' strategy, which will influence China's development beyond current the FYP until the middle of the next decade.

Xi Jinping's meeting with economists in August 2020 demonstrated the CPC's interest in interacting with the professional community. In the current Chinese system, the role of economists as the creators of new ideas cannot be higher than the leading role of the CPC. This excludes the possibility of the emergence of an 'expertocracy' capable of dictating its will to political leadership.

At the same time, successfully overcoming the short-term economic recession and adjusting the national economic strategy helped to increase the prestige of economists in the eyes of Chinese society.

References

Cai, F., Chen, X., Zhang, J., Li, X., Hong, J., Zhang, K., & Lu, M. (2020). The notes on the study and explanation of the spirit of the 5th Plenary Session of the 19th Central Committee of the Communist Party of China. *Zhongguo Gongye Jingji*, *12*, 5–27. (In Chinese).

Fan, G. (2020). Dual circulation and the new stage of development of China's economy. *Kaifang Daobao*, *6*, 7–10. (In Chinese).

Fighting COVID-19: China in action (White Paper) (2020). Retrieved December 2, 2021, from http://www.gov.cn/zhengce/2020-06/07/content_5517737.htm (In Chinese).

Guided by the socialist diplomatic thought with Chinese characteristics in the new era, strive to create a new situation for the diplomacy among major powers with chinese characteristics (2018, June 24). *People's Daily*. (In Chinese)

Huang, Q., & Chen, C. (2021). Dynamic coordination of demand-side management and supply-side structural reform under the new development pattern. *Gaige*, *3*, 1–13. (In Chinese).

Lei, D., & Wu, J. (2020). Superposition of epidemic and recession: Calling for a new model of multilateral anti-crisis coordination. *Tansuo yu Zhengming*, *4*, 45–51. (In Chinese).

Li, P., Lu, M., & Zheng, Y. (2020). A note on the role of cultural, institutional, and urbanization features in the COVID-19 pandemic. *Asian Economic Papers, 20*(1), 64–74. https://doi.org/10.1162/asep_a_00798

Lin, J. Y. (2020). China's economic outlook against the backdrop of the COVID-19 pandemic and US–China tensions. *Journal of Chinese Economic and Business Studies*, *18*(4), 327–331. https://doi.org/10.1080/14765284.2020.1854024

Liu, W. (2020). Economic recovery from and the monetary policy response to the COVID-19 shock. *Jingjixue Dongtai*, *7*, 21–27. (In Chinese).

Luo, R., Li, Q., & Xie, X. (2021). Analysis of the China's economic research focus in 2020. *Jingjixue Dongtai*, *3*, 38–57. (In Chinese).

Pei, C., Liu, B., & Yang, Z. (2021). Comprehensive competitive and cooperative advantage: Theoretical explanation of the enduring international competitiveness of China's manufacturing industry. *Caimao Jingji*, *42*(5): 14–30. (In Chinese).

Quan, H., Cai, F., Hua, M., Li, S., Pan Y., Huang, J., & Yin, D. (2020). "Change" and "Response"—World economic situation and China's economic adjustment after the outbreak of the epidemic. *Tansuo yu Zhengming*, *8*, 4–30. (In Chinese).

Resolution of the CPC Central Committee on the major achievements and historical experience of the party over the past century (Adopted at the 6th Plenary Session of the 19th Central Committee of the Communist Party of

China on November 11, 2021) (2021, November 17). *People's Daily*. (In Chinese).

Statistical Communiqué of the People's Republic of China on the 2020 National Economic and Social Development. Retrieved January 13, 2021, from http://www.stats.gov.cn/english/PressRelease/202102/t20210228_1814177.html

The Standing Committee of the Political Bureau of the CPC central committee held a meeting to study the prevention and control of the COVID-19, CPC Central Committee General Secretary Xi Jinping presided over the meeting (2020, January 26). *People's Daily*. (In Chinese).

Wei, T. (2020). How China managed the COVID-19 pandemic. *Asian Economic Papers, 20*(1), 75–101. https://doi.org/10.1162/asep_a_00800

Xi Jinping's speech at the symposium on the work in philosophy and social sciences (17 May 2016) (2016, May 19). *People's Daily*. (In Chinese).

Xi, J. (2020). Several major issues in the national medium and long-term economic and social development strategy. *Qiushi*, *21*, 4–10. (In Chinese).

Xi, J. (2021). Correctly understand and grasp the major issues of medium and long-term economic and social development. *Qiushi*, *2*, 4–10. (In Chinese).

Xing, W., & Tian, K. (2020). Research progress on the economic effects and intervention policies of epidemics. *Jingjixue Dongtai*, *7*, 113–128. (In Chinese)

Yin, J., & Wang, C. (2020). The progress of theoretical and empirical research on economic epidemiology. *Jingjixue Dongtai*, *7*, 99–112. (In Chinese).

Zhang, B. (2021). Cultural confidence in traditional Chinese medicine in combating the epidemic. *Hongqi Wengao*, *6*, 37–40. (In Chinese).

Zhang, P., & Yang, Y. (2020). The impact of COVID-19 on the growth path of Chinese economy and policy response—An analysis based on the unbalanced impact on enterprises. *Jingjixue Dongtai*, *3*, 22–27. (In Chinese).

CHAPTER 3

COVID-19 and The Indian Economy: The Debate About a Wage-Led Recovery

Jayan Jose Thomas

Abstract The COVID-19 pandemic has triggered multiple crises—of health, economy, and livelihoods—in India. The restoration of at least a part of the incomes lost by the overwhelmingly informal workforce in the country during the lockdown period should have been a priority for the government. However, the stimulus packages announced by the government have been inadequate, especially given the magnitude of the employment and livelihood crisis. Some of the policies taken in the wake of the crisis, such as the approval to increase daily working hours to twelve, have led to a weakening of labour's position vis-à-vis capital. Rather than boosting economic growth, such measures will only worsen the deficiency in aggregate demand and prolong the recession. India's policy-makers should reconsider the faith they have put in neoclassical economic ideas, which have slowed down employment growth and left millions of people with little access to basic health or education facilities.

J. J. Thomas (✉)
Humanities and Social Sciences, Indian Institute of Technology (IIT) Delhi, Hauz Khas, New Delhi, India
e-mail: jayan@hss.iitd.ac.in; jayanjthomas@gmail.com

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0_3

The pandemic should be an opportunity to build in India an effective and publicly provided social security system as well as rural infrastructure and research institutions.

Keywords India · Political economy · Covid · Wage-led growth · Profit rate

3.1 Introduction

India has been hit hard by the COVID-19 pandemic. Between 3 January 2020 and 21 January 2022, India recorded 38.6 million confirmed cases of COVID-19 and 488,396 deaths on account of the pandemic, according to information compiled by the World Health Organization (WHO).[1] Confirmed COVID-19 cases and deaths in India were 11.3% and 8.8% of the worldwide total, respectively: although these figures are high, they are nevertheless lower than India's share of the world population (17.8%).

The impact of the pandemic on India's economy and on people's livelihoods has been much deeper. After the outbreak of the pandemic, India announced lockdown restrictions which, between 25 March and 31 May 2020, were some of the most stringent anywhere in the world. Millions of casual and self-employed workers in India's informal economy suddenly found themselves without any source of income. One of the most moving images of the COVID-19 crisis was of migrant workers in Indian cities—several thousand of them—walking hundreds of kilometres to return to their villages, many with children and with their meagre possessions.

The pandemic also exposed the limitations of India's healthcare facilities. The 'second' wave of the COVID-19Delta variant that ravaged India between April and June 2021 accounted for half of all Covid deaths (up to January 2022). The healthcare systems of even big urban centres, including Delhi, the country's capital, were overwhelmed during this phase. There were severe shortages of hospital beds, healthcare workers, and oxygen cylinders needed for severely ill patients everywhere. Heart-rending reports emerged of how hundreds of bodies had been abandoned

[1] Based on data obtained from https://covid19.who.int/, accessed 22 January 2022.

in the river Ganges, which passes through the populous northern state of Uttar Pradesh.

The crisis induced by COVID-19 has brought into focus two of the significant failures of India's long-term development strategy: the first, on employment creation, and the second, with respect to providing basic health and education to the masses. Given the slow rate of new job creation, today close to 90% of India's workforce comprises casual workers or small entrepreneurs surviving under various degrees of informality.[2] In 2018, regular workers receiving some form of social security only made up 12.3% of all workers. Agriculture and related activities such as forestry and fishing provide livelihoods to close to a half (43.5% in 2019–2020) of India's total workforce (which numbered 471 million in January 2019), but they contribute less than a sixth (14.8%) of the value of the country's output. In comparison, agricultural workers as a share of all workers declined steeply in China, from 50% in 2001 to 26.8% in 2018 (Thomas, 2020a).

It is clear that the structural transformation of the economy marked by a shift of the labour force away from agriculture—as predicted by Arthur Lewis (1954)—has been rather slow in India. India still has a large reserve of surplus labour: of hapless people willing to work for extremely low wages to earn a livelihood. Such a situation reduces labour's negotiating power vis-à-vis capital. Underinvestment by the Indian state in social sectors has over the decades further amplified these disadvantages. In 2018, the government's expenditure on health as a proportion of gross domestic product (GDP) was only 0.95% in India, compared to 3% in China and 8.5% in the USA. Notably, the Indian figure was lower than the averages for low- and middle-income countries (2.8%) and Sub-Saharan Africa (1.9%).[3]

Given such a context, the aim of this chapter is to review important debates relating to the Indian economy, especially after the introduction of market-oriented reforms to the country in 1991. We also examine how

[2] The employment figures cited in this chapter are based on estimates from India's National Sample Survey on Employment and Unemployment and Periodic Labour Force Surveys for the years 2017–2018, 2018–2019 and 2019–2020. See Thomas (2020a) for details.

[3] Based on data available at *World Development Indicators*, World Bank. From https://databank.worldbank.org/reports.aspx?source=world-development-indicators, accessed 15 January 2022.

these debates have shaped India's response to the pandemic, and the crisis this triggered. Section 3.2 provides an overview of the structure of India's economy and its workforce. Section 3.3 outlines the political economy context and the influence, if any, of economists in setting the debates. Section 3.4 discusses the need for India to pursue wages-led economic growth, and the hurdles it faces. Section 3.5 examines government policy and response in India to the COVID-19 crisis. Section 3.6 draws some conclusions.

3.2 An Overview of the Economy and the Workforce

Until it was hit by the COVID-19 crisis, India's economy was growing at a relatively fast rate. The annual rate of growth of India's GDP was between 8 and 9% for most years between 2003 and 2010 (Fig. 3.1). Even though this growth decelerated during the 2010s, India continued to be one of the fastest-growing large economies of the world. In 2016, India's GDP grew at a rate of 8.3%, which was higher than the 6.9% growth achieved by China. In fact, in 2016, India recorded the fastest

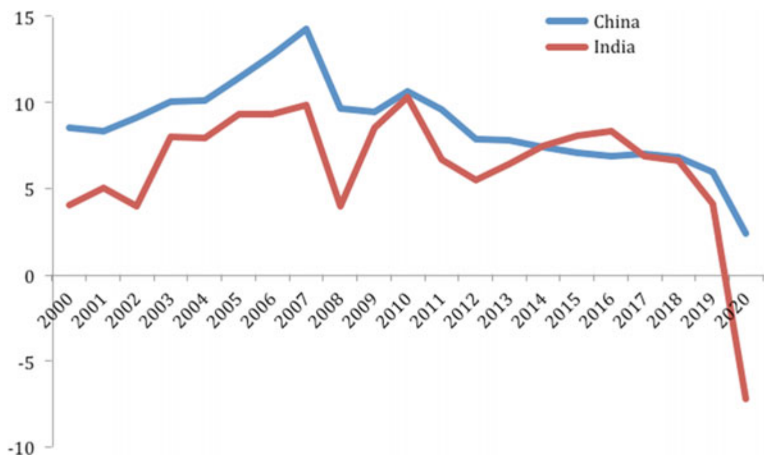

Fig. 3.1 Annual rates of growth of GDP in India and China (2000–2020), in % (*Source* International Monetary Fund, World Economic Outlook Database, October 2021)

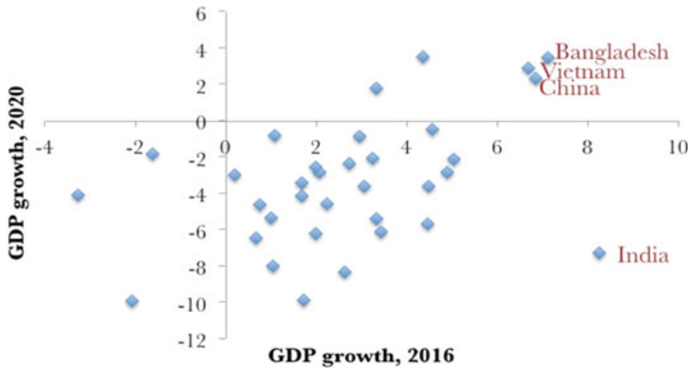

Fig. 3.2 Annual GDP growth in selected countries, 2016 and 2020, in % (*Note* The 29 countries whose growth rates are shown in this graph include China, Brazil, South Africa and Nigeria; high-income countries including the US and UK; India's South Asian neighbours including Pakistan and Bangladesh; and selected East Asian countries) (*Source* International Monetary Fund, World Economic Outlook Database, October 2021)

rate of growth of GDP among the 29 countries for which we have plotted data.[4] Given such a record, it is striking that in 2020, the year after the COVID-19 outbreak, India's GDP growth fell to a negative rate (–7.3%), one of the lowest rates of GDP growth recorded by these 29 countries. Despite the disruption caused by the pandemic, GDP growth in 2020 was positive in China, Bangladesh and Vietnam (Fig. 3.2).

The Indian economy has had a poor record with respect to employment creation, even in years in which its GDP was expanding at a fast rate. According to country-wide data compiled by the World Bank, the percentage of the population who are of a working age (aged 15 to 59) as a proportion of the total is expected to increase to 64% in India, while it is set to decline to 59.5% in China by 2030. That there will be a larger number of potential workers is indeed a big boon for India's future

[4] These 29 countries comprise China; India's South Asian neighbours including Pakistan, Sri Lanka and Bangladesh; Brazil, Russia, South Africa, Nigeria, Turkey and Vietnam, which—along with India—are often described as 'emerging' economies; high-income countries including the US, Japan and the UK; and other selected countries in East Asia and the Middle East.

economic growth, but it also presents a challenge for policy-makers: to create new job opportunities for the young.

Historical evidence as well as the predictions made by Lewis (1954) suggest that, with economic progress, workers move away from agriculture towards higher productivity industry and services. The proportion of the agricultural workforce in India declined from 56.5% in 2004–2005 to 40.7% in 2018–20019. The rate of decline was faster during the second half of the 2000s, a period of rapid economic growth. However, the recently released Periodic Labour Force Survey (PLFS) for 2019–2020 provided a surprising result. Rather than declining further, the proportion of the workforce involved in agriculture in India rose between 2018–2019 and 2019–2020 by close to 3 percentage points (40.7% to 43.5%) (Thomas, 2020a).

Women who were described by official statistical agencies as helpers not receiving any remuneration formed a large part of the increase in employment in 2019–2020. It seems likely that this increase was linked to distress or that it represented a desperate attempt to supplement household incomes. Note that the numbers quoted here are based on data collected during July–September 2019, the first quarter of the 2019–2020 survey period. Therefore, they describe the state of employment in India *before* the outbreak of COVID-19.

At the root of India's employment crisis is poor job creation in the manufacturing sector. In 2017, manufacturing only accounted for 15.1% of India's GDP, compared to 29.3% of China's. At the same time, the size of the manufacturing workforce in India fell from 61.3 million in 2012 to 58.6 million in 2018, then rose marginally to 59.8 million in 2020 (manufacturing employment as a share of total employment in India was 12.8% in 2018) (Table 3.1). Note here that we are referring to employment in both the organised and unorganised (or formal and informal) sectors combined.[5] Close to 75% of manufacturing jobs in India are in small firms that employ under 10 workers. In 2018, while India's total

[5] In India, there are various ways in which the organised (or formal) sector is distinguished from the unorganised (or informal) sector. In industry, the organised sector is identical to the 'factory sector', which comprises units that employ more than 10 workers and operate with the aid of electric power. All units employing less than 10 workers fall into the unorganised sector. Employees in the formal sector are not all formal workers. In fact, there has been an increase in the number of informal workers—who may not have written job contracts and may not be eligible for leave or medical or social security benefits paid for by their employers—in the formal sector.

Table 3.1 Sector-wise estimates of workers in India, 2005–2020

Sectors	*2005*	*2012*	*2018*	*2020*
Agriculture and allied activities	258.8	224.5	191.5	223.1
Manufacturing	55.9	61.3	58.6	59.8
Industry	60.0	66.4	63.6	64.6
Construction	26.0	49.9	53.0	59.6
Services I	68.2	77.9	86.5	102.0
Services II	44.7	53.8	63.7	64.2
All workers	457.7	472.5	458.3	513.5

Note Industry comprises mining and quarrying; manufacturing; the supply of electricity, gas and water. Services I comprise trade, transport, warehousing, travel services, communication (including telecommunication and postal services), and hotels and restaurants. Services II comprise finance, insurance, real estate, professional, scientific and technical activities, business services, public administration and defence, education, health and social work, and personal services
Source Estimates based on India's National Sample Surveys on Employment and Unemployment and Periodic Labour Force Surveys. See Thomas (2020a) for details

(organised and unorganised combined) manufacturing employment was 58.6 million, only 15 million were employed in the factory sector (this number corresponds roughly to the organised sector) (Thomas, 2021a).

Even while total manufacturing employment declined in India, employment in organised manufacturing, especially in large factories, rose after the mid-2000s (factory sector employment was 8.5 million in 2004–2005 and 15 million in 2017–2018). This implies that there had been severe job losses in micro and small manufacturing enterprises in the country through the 2010s. As discussed below, the hurdles to growth included the insufficient availability and the high cost of credit, infrastructural bottlenecks including power shortages, competition from imports, and the after-effects of the demonetisation of high-value currency notes in November 2016.

3.3 The Political Economy in India and Indian Economists

Independent India has been a fertile ground for non-mainstream economic thinking. Under the leadership of Jawaharlal Nehru, the first Prime Minister, India began its economic planning in the early 1950s and built indigenous capabilities in capital- and technology-intensive sectors, going against the tenets of the comparative advantage theory.

However, state-led industrialisation in India, which lasted until the 1980s, had a mixed record with respect to economic growth and reduction of poverty. Economists argued that both demand-side issues and supply-side constraints imposed limits on the success of Indian planning (Nayyar, 1994). The progress achieved by India during the post-Independence period in implementing land reforms and ensuring primary education for all has been rather unimpressive.

In 1991, following a balance-of-payments crisis, India began market-oriented economic reforms. The reforms attempted to remove some of the supply-side problems (especially those caused by the licensing regime, reduced tariffs and trade restrictions), gradually opened the capital account, and compressed government expenditures in general. Dr. Manmohan Singh, the architect of economic reforms and the Prime Minister of India between 2004 and 2014, was an economist who had been educated at the universities of Oxford and Cambridge. At the same time, the reduction in public expenditure, including expenditure on social sectors, in India since 1991 has been the subject of intense debate, played out in academic and policy spheres.

While the majority of economists have supported the neoclassical argument in favour of reduced public expenditure and a balanced budget, a smaller but influential group of scholars and activists have countered the mainstream view (see Bhagwati & Panagariya, 2012 for the mainstream view). Within the latter group, some have highlighted the importance of social sector spending to achieve better development outcomes in a country like India, which has several million poor people. A prominent voice is that of Amartya Sen, who emphasised the need for public action (see, for instance, Drèze & Sen, 2013). Building on the Keynesian and Marxian frameworks, a few other economists have advocated for fiscal interventions, and have pointed out how globalised finance creates hurdles to such interventions (Chandrasekhar, 2021).

Prabhat Patnaik (2021) argues that, since the emergence of globalised finance, governments across the world have been compelled to give precedence to the dictates of finance rather than to the interests of their own people. The finance industry is opposed to any increase in public expenditure to stimulate demand, especially if such expenditure is financed by additional taxes or a fiscal deficit. Keynes may have been aware of the dangers posed by globalised finance when he argued that 'above all, finance must be national' (Keynes, 1931, cited in Patnaik, 2021).

Under the United Progressive Alliance Government: 2004–2014

The difficulties faced by democratically elected governments to carry out the will of the people are evident from the experience of the United Progressive Alliance (UPA), which led India's Union (federal or central) government between 2004 and 2014. The main partner in the ruling UPA was the Indian National Congress, a left-of-centre political party. Between 2004 and 2008 the government depended on support from left-wing political parties (mainly the Communist parties) for a majority in Parliament. Despite its promise of 'inclusive growth', the UPA government faced stiff challenges to increasing social expenditure. It served the interests of the stock markets and the financial sector to resist the introduction of new taxes or raising of government expenditures, while pushing for greater concessions on corporate and personal income taxes. It was only in 2007–2008, midway through its first term in office, that the UPA government substantially hiked spending on its flagship employment guarantee scheme, which later became the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

Despite the half-hearted nature of the effort, the increase in public expenditure in India during the second half of the 2000s led to a positive impact on multiple fronts, particularly in rural areas. The Union government's expenditure on social sectors as a proportion of all its expenditure increased from 4.0% in 2000–2001 to 10.3% in 2010–2011. The Union government's expenditure that is classified as 'developmental' (which includes expenditure on social sectors) as a proportion of all its expenditure rose from 41.4% to 54.7% during the same period (Fig. 3.3). This increase in expenditure resulted in a decline in 'distress' employment in agriculture, an increase in rural wage rates and a faster reduction of poverty in India during the second half of the 2000s.

The UPA was re-elected to lead the Union government again in 2009 with a larger number of seats in the Parliament (this time, it did not have to depend on support from left-wing political parties). From 2010 onwards, public expenditure, including in the social sector, began a downward slide (Fig. 3.3). Notwithstanding the pressures caused by the global financial crisis, the government was more concerned about limiting its fiscal deficit, so as not to earn the displeasure of the stock markets. In fact, since the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 was passed by the Indian legislature, the Union and state governments in India are committed to limit the fiscal deficit to 3% of GDP

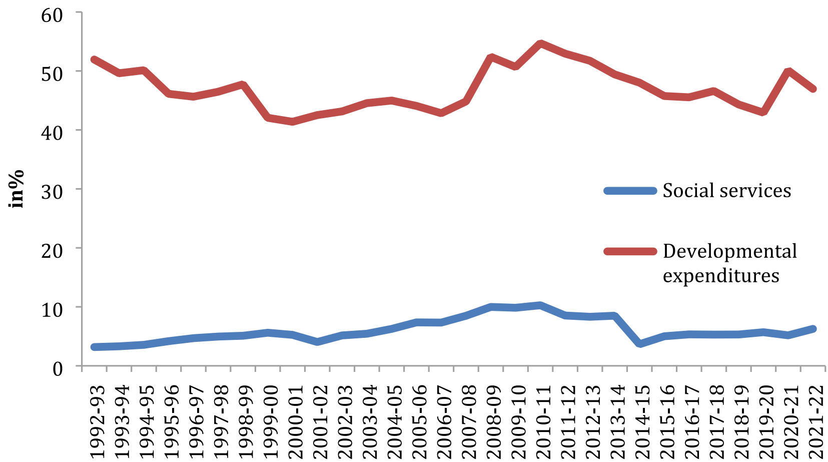

Fig. 3.3 Developmental expenditure as a percentage of all expenditure by the Indian Union government (1992–1993 to 2021–2022) (*Note* Expenditure includes both revenue and capital expenditure. Expenditure on social services is a component of developmental expenditure)
Source Budget documents by the government of India, as reported in the *Handbook of Statistics on Indian Economy*, Reserve Bank of India

(or state domestic product, as the case may be). Because of this reduction in its expenditure, the UPA government was unable to deliver on its promises, including the promise to implement a law to ensure food security for the poor. Eventually, the UPA lost the general election held in May 2014.

With the Bharatiya Janata Party at the Helm

The National Democratic Alliance (NDA), with the Bharatiya Janata Party (BJP) as its main partner, has led the Union government and several state governments in India since 2014. As a political party, the BJP has shown a commitment to the ideology of religious (Hindu) nationalism. Prime Minister Narendra Modi, on whose popularity the BJP rode to power across India, has managed to garner the overwhelming support of the poor. However, according to Jaffrelot and Schoch (2021), redistribution measures and fiscal transfers to the poor were not prioritised in the NDA government's economic policies. As a proportion of all expenditure by the Union government, development expenditure fell from 49.4% in 2013–2014 to 42.9% in 2019–2020 (Fig. 3.3). The budgetary allocations for MGNREGA were far lower than the demand for this rural employment scheme. In 2019–2020, while 274 million people had registered for work provided through MGNREGA, only 79 million found jobs as part of the scheme (Rawal & Kumar, 2020).

The taxation policy of the NDA government has favoured the rich. On the one hand, the government abolished the wealth tax and reduced corporate tax rates, while on the other, the burden of indirect taxes—including fuel taxes, which affect the poor—has increased. However, as a populist leader, Prime Minister Modi was able to successfully present many of the government's measures as pro-poor. The demonetisation of high-value currency notes in November 2016, which hit the informal economy severely, was explained as a necessary pain needed to purge the economy of illegal money (Jaffrelot & Schoch, 2021, pp. 112–47). Further, the political discourse in the country has undergone a significant transformation, with the emphasis shifting from economic issues to religious and ethnic divisions and to the threat from 'the other' (Patnaik, 2021, p. 10).

During the last two decades, some of the top positions in economic policy-making in India have been occupied by academics (mostly born in India) from foreign universities. They include Raghuram Rajan, who was the governor of India's central bank between 2013 and 2016, Arvind Panagariya and Arvind Subramanian. These economists advocated market-friendly policies on most issues, including inflation targeting by the central bank, privatisation of public-sector banks, and greater opening up of the Indian economy to foreign trade and investment. However, between 2016 and 2018, they returned to their respective positions in US academia, and new appointees to policy positions were officials or academics who had spent a greater part of their careers in India. These changes led to speculation that the government was contemplating a major change of course in economic policies. However, as explained below, India's economic policies continue to be characterised by stagnant public expenditure.

3.4 The Case for Wage-Led Economic Growth in India

According to one influential view, India's long-term economic growth is constrained by the insufficiency of domestic demand (Nayyar, 1994; Patnaik, 2015). The high degree of inequality and the low wages paid to India's informal workforce are cited as reasons for stagnant demand in a country that is the second-most populous in the world and which that has a sizeable middle class. In the aftermath of the COVID-19 pandemic, one of the dilemmas facing India (and other countries) is whether it should opt for policies that tend to reduce workers' wages—and thereby firms' costs—or should policies help to raise wages to boost demand in the economy? Are rising wages a hurdle or a facilitator for faster economic growth?

Theoretical View

As argued by Marglin and Bhaduri (1988), wages have a dual character. Wages are an important component of costs to capitalists, but they are also a source of demand. Therefore, while capitalists as producers prefer to reduce wages, and thereby costs, capitalists as sellers welcome the demand created by rising wages. The higher the share of wages in income, the lower the share of the profits. Profits are a source of saving: and in addition, today's profits send a positive signal to capitalists to make new investments in the future. Therefore, in an economy that is not faced with a demand shortage, a higher share of profits in income or value of output (and therefore, a lower share of wages) boosts economic growth. The increased savings that result from greater profits is channelled into fresh investments, fuelling a profit-led economic growth.

However, the situation is different in an economy that suffers from insufficient demand. Some factories and machines are lying idle due to the poor demand: therefore, capacity utilisation rate or the value of output as a share of the capital stock is less than its optimal level. In such an economy, the profit share (π, or profits as a share of the value of output) may still remain high. However, what matters (to capitalists) is not profit share but *profit rate*, which is profit as a share of the capital invested or profit share multiplied by capacity utilisation rate.[6] By raising workers' wages, and therefore incomes, the market expands, leading to 'wage-led' economic growth. Even with lower profit shares, profit rates may not dip because the larger demand allows firms to utilise their capacities better. On the other hand, cutting wages will shrink markets further and deepen the crisis during a depression (Bhaduri, 2020; Marglin & Bhaduri, 1988).

Arguments in Favour of Low Wages

Mainstream economists and institutions such as the International Monetary Fund (IMF) and the World Bank have attributed the slow growth of India's manufacturing employment to what they perceive as continuing government intervention in the labour markets (see Besley and Burgess, (2004) for the mainstream view, and Bhattacharjea (2009) and Roychowdhury (2018) for criticism of this). In particular, they point out that the implementation of labour laws or minimum wages, or intervention by trade unions, tends to increase workers' negotiating power and make it difficult for employers to retrench workers. India's official policymaking bodies seem to agree that the country's future industrial growth strategy should pivot *exclusively* around its advantage of cheap labour (Ministry of Finance, 2020).

However, contrary to the mainstream view, the labour force's negotiating power relative to capital has been declining in India. Trade unionism in the country has suffered a major blow since the early 1990s, and Indian firms have increasingly been employing contract or temporary workers who are not covered by labour laws (Thomas, 2021a). Indian states compete with each other to achieve a higher ranking on the *ease of doing business* (this ranking is based on the World Bank methodology), by making it easier for firms to fire workers and obtain land for industry. In India's factory (largely manufacturing) sector, as a share of gross value added, profits increased sharply from 19% in 2001–2002 to 53.8% in 2007–2008. On the other hand, labour costs declined from a high of 42.7% in 1984–1985 to 27.9% in 2000–2001, then to 19.1% in 2007–2008 (Fig. 3.4).

[6] Assume that X is value of output, K is capital invested, W is wages and P is profits. The profit share of output, π, is P/X, and wage share is W/X. The capacity utilisation rate (u) in the economy is X/K and the profit rate is P/K. The profit rate can also be expressed as profit share (π) $\times$ the capacity utilisation rate (u).

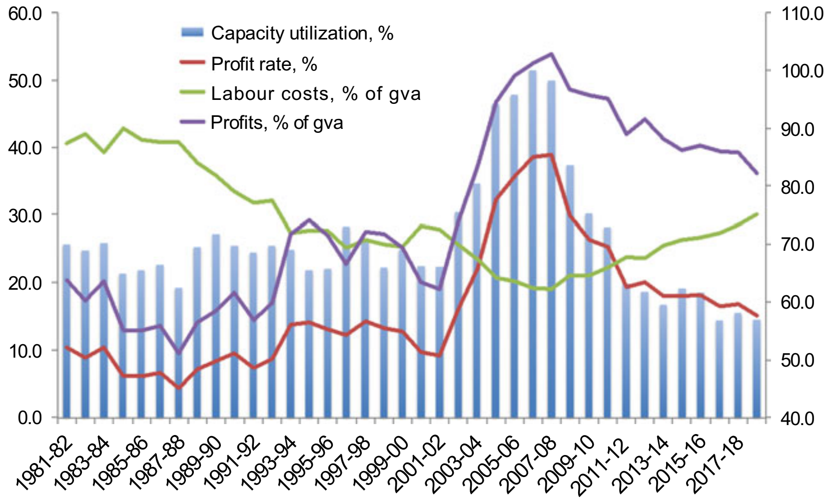

Fig. 3.4 Labour share, profit share, profit rate and capacity utilisation: India's factory sector, 1981–1982 to 2018–2019, as percentages (*Note* The *y*-axis on the right plots capacity utilisation (%)) (*Source* Author's estimates based on data from Annual Survey of Industries)

Investment, Credit and Other Growth Constraints

According to the World Bank, investment as a proportion of GDP in India increased from 27.2% in 2002 to 36.1% in 2004 and 42.0% in 2007. However, after the global financial crisis, both public and private corporate investments declined, and by 2019 India's investment rate had fallen to 30%. However, China responded to the global crisis with massive investments in infrastructure and new technologies, and its investment rate rose from 40.5% in 2007 to 46.4% in 2013 (Fig. 3.5).

The stagnation in investment in India has resulted in severe demand and supply-side bottlenecks, including slow growth of the infrastructure sector. Credit has been costly and not easily accessible. As a proportion of non-food gross bank credit in India, advances to small-scale industries fell from 15.1% in 1990–1991 to 6.5% in 2005–2006, 5.7% in 2010–2011 and 4.9% in 2017–2018 (Thomas, 2021a). The demonetisation exercise in November 2016 and the introduction of goods and services tax (GST) in July 2017 have created difficulties for the growth of micro and small

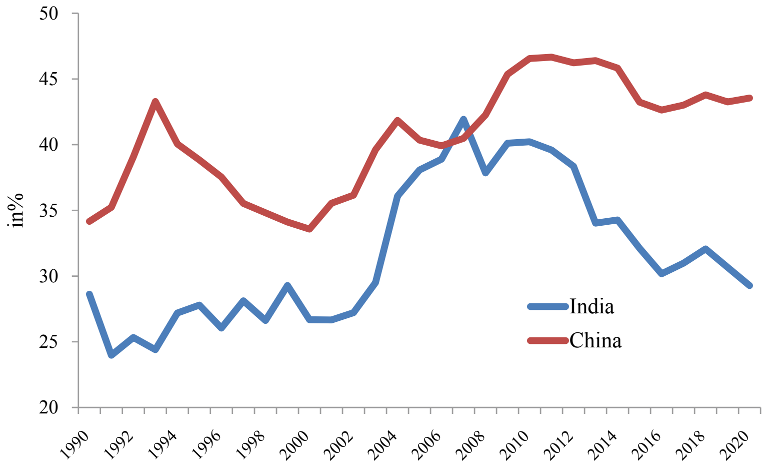

Fig. 3.5 Gross capital formation as a percentage of GDP in India and China from 1990 to 2020 (*Source* World Development Indicators, World Bank)

firms. With the sharp reduction in India's tariffs (the weighted average of import tariffs on capital goods fell from 94.8% in 1991–1992 to 5.6% in 2009–2010), imports into the country have increased, especially of machine tools, machinery, electronic and computer goods, and transport equipment (Thomas, 2021a).

The most important constraint to India's industrial growth has been the fall in demand conditions, especially with the reduction in investment rates (referred to above). The index of capacity utilisation in India's factory sector (the index = 100 for 2006–0207) increased from 75.5% in 2002–2003 to 98.2% in 2007–2008, but subsequently declined to 57% in 2018–2019. With this fall in capacity utilisation, profit rates decreased from 38.9% in 2007–2008 to 15.2% in 2018–2019: this fall was much sharper than the decline in profit shares (Fig. 3.4).

3.5 Measures to Tackle the Pandemic

The coronavirus pandemic and the lockdowns announced by the government to contain the spread of the virus have led to the loss of jobs and incomes. Our analysis shows that the incomes lost by vulnerable sections of India's workforce during the first two months of the lockdown (April and May 2020) would have amounted to as much as 4 trillion Indian rupees (Rs.) (or approximately 2% of the country's annual GDP) (Thomas, 2020b). A key priority for any government intervention during the crisis should be the restoration of at least part of workers' lost incomes, as quickly and comprehensively as possible. However, the stimulus packages announced by the government have fallen short, particularly in reviving demand conditions (Azim Premji University, 2021; Mazumdar, 2021).

The Union government announced a stimulus package amounting to Rs. 20.97 trillion (or 11% of the country's annual GDP) in May 2020. Close to 85% of the package was about measures to increase liquidity in the economy (such as guaranteeing credit by the government to banks). However, these measures did not benefit the majority of the workers who needed direct, immediate assistance. The social security measures in the stimulus package included an additional allocation of grains and pulses to people covered by the National Food Security Act (NFSA), initially for April to June 2020 (through the Pradhan Mantri Gharib Kalyan Yojana (PMGKY) government scheme). They also included a payment of Rs. 1,500 (approximately US$20) over a three-month period to women beneficiaries of the Pradhan Mantri Jan Dhan Yojana (PMJDY) government scheme. These interventions were only a marginal boost to India's social security system, which has long suffered due to an inadequate budget, weak coverage of the needy population and poor implementation of schemes (Thomas, 2020b).

An important component of the stimulus measures was an increase in the budgetary allocation—by Rs. 400 billion (0.2% of annual GDP)—for MGNREGA, but the enhanced allocation was not sufficient to address the acute need for work in rural India. With migrant workers returning from urban centres to villages in very large numbers at the start of the crisis, MGNREGA and other public works programmes continued to play a central role in averting a job crisis in India.

Weakening the Workforce in Response to the Pandemic

Given the deficiency in aggregate demand, it seems paradoxical that the state in India is taking steps that may lead to a further erosion of the workforce's negotiating capabilities and a fall in real wages. As a response to the COVID-19 crisis, some state governments passed laws that allowed an increase in the number of daily working hours from eight to twelve (and up to 72 working hours in a week). In May 2020, the state government of Uttar Pradesh passed an ordinance that exempted various industries in the state from labour laws, with the stated objective of boosting businesses following the lockdown. The Union government has been in the process of amalgamating 29 labour laws in the country into four labour codes—which may weaken the workforce's position (Sundar, 2020).

Finally, in the context of the COVID-19 crisis, India faces an uphill task to enhance its manufacturing technology capabilities along the lines envisaged by the 'Make in India' government initiative. This will only happen if the government strengthens the public-sector industrial and research institutions and universities in the country. The latter should be encouraged to enter areas of technology development—the development of vaccines or medical equipment, for instance—for which the private sector has neither the resources nor the patience. India can learn a few useful lessons from China's experience in restructuring its state-owned enterprises (SOEs) and in combining the strengths of the public sector, markets and globalisation. However, it appears that the political will for greater state intervention in the economy is lacking in India.[7]

Kerala's Experience

In India's federal political system, measures for pandemic relief and economic revival have been launched by the Union government as well as by the state governments. There have been wide variations across Indian states with respect to their responses to the COVID-19 crisis. The southern state of Kerala is well known for its commendable achievements, dating back to the 1970s, in social sectors, most importantly public health and education (for a review, see Ramachandran, 1996). During the COVID-19 pandemic, the public health system in Kerala earned enormous respect worldwide for its effective handling of the crisis.[8] One of the high points in Kerala's fight against the COVID-19 pandemic has been

[7] Mehta (2019) shows how the BJP and its affiliate organisations changed their economic ideology over the years, from a commitment to *swadeshi* or economic self-reliance to welcoming globalisation and foreign investment.

[8] See https://www.theguardian.com/world/2020/may/14/the-coronavirus-slayer-how-keralas-rock-star-health-minister-helped-save-it-from-covid-19, accessed 1 March 2022.

the state government's interventions to protect lives and livelihoods. 'No one should go hungry' became the battle cry of the administration and civil society alike during lockdowns (Thomas, 2021b).

The public health and social security system in Kerala have been built by decades of public action set in motion by the progressive social and political policies of the state. They have also been the result of the high levels of social sector spending by the state governments of Kerala from the 1960s onwards. In 1980–1981, while social sector expenditure as a proportion of total budgeted expenditure was 45.7% in Kerala, the average over all Indian states was 29.8%. The Kerala experience points to the hollowness of the argument—reiterated time and again in India and other parts of the world—that government spending on the social sector slows down economic growth (Thomas, 2021b).

3.6 Concluding Remarks

The COVID-19 pandemic has triggered multiple crises—of health, economy and livelihoods—in India. Since 1991, India's economic policy has been guided by mainstream neoclassical ideas. A reduction in public expenditure to contain the fiscal deficit and the weakening of labour force regulations to make it easier for firms to do business have been important features of this policy. These ideas have also shaped the country's economic response to the COVID-19 pandemic.

The restoration of at least part of the incomes lost by India's informal workers—who account for close to 90% of all workers—during lockdown should have been a priority for the government. However, the stimulus packages announced by the government have been far from adequate. The budgetary allocation for the public works employment programme (MGNREGA) was not sufficient to address the acute need for work in rural India, especially as migrant workers returned to their home villages when the lockdown began. Some of the policy initiatives taken in the wake of the crisis, such as approving the increase of daily working hours to twelve, have led to a weakening of the labour force's position. At the same time, some states in India, notably Kerala, which had a well-functioning public health and social security system, have been able to offer a more effective response to the crisis.

India has a rich tradition of nurturing non-mainstream economic thinking, dating back to the 1950s. Even after neoclassical ideas came into the ascendancy in 1991, there still exists an intellectually powerful group of Indian economists who highlight the structural and demand constraints to economic growth. They point out how high levels of inequality, slow growth of agriculture and low wages have combined to create a serious roadblock for Indian development. However, these voices have not been adequately listened to in policy and media circles, especially during recent years. The COVID-19 crisis has given the government an opportunity to initiate policies that could widen sources of demand; raise the consumption of, and investment for, the poor; and build an effective, publicly provided social security system in India. Unfortunately, however, the country still lacks the political will to effect a change in the direction of these economic policies.

References

Azim Premji University. (2021). *State of working India 2021: One year of Covid-19*. Centre for Sustainable Employment, Azim Premji University.

Besley, T., & Burgess, R. (2004). Can labour regulation hinder economic performance? Evidence from India. *Quarterly Journal of Economics, 119*(1), 91–134.

Bhaduri, A. (2020). Reforming capitalist democracies: Which way? Working Paper 139/2020. Institute for International Political Economy Berlin.

Bhagwati, J., & Panagariya, A. (2012). *India's tryst with destiny*, Harper Collins.

Bhattacharjea, A. (2009). The effects of employment protection legislation on Indian manufacturing. *Economic and Political Weekly, 44*(22), 55–62.

Chandrasekhar, C. P. (2021). The Indian economy before and after the pandemic. In Vikas Rawal, Jayati Ghosh, & C.P. Chandrasekhar (Eds.), *When governments fail: A pandemic and its aftermath* (pp.166–183). Tulika Books.

Drèze, J., & Sen, A. (2013). *An uncertain glory: India and its contradictions: Development and participation*. Princeton University Press.

Jaffrelot, C., & Schoch, C. (2021). *Modi's India: Hindu nationalism and the rise of ethnic democracy*. Princeton University Press.

Keynes, J. M., (1933). National self-sufficiency. *The Yale Review*, *22*(4), 755–769.

Lewis, A. (1954). Economic development with unlimited supplies of labour. *Manchester School, 22*, 139–191.

Marglin, S., & Bhaduri, A. (1988). Profit squeeze and Keynesian theory. Working Paper 39, World Institute for Development Economics Research (WIDER).

Mazumdar, S. (2021). The coronavirus and India's economic crisis: continuity and change. In Vikas Rawal, Jayati Ghosh, & C. P. Chandrasekhar (Eds.), *When governments fail: A pandemic and its aftermath* (pp.184–208). Tulika Books.

Mehta, G. (2019). Hindu Nationalism and the BJP's economic record. In M. Vaishnav (Ed.), *Indian democracy and religious nationalism* (pp. 63–72). Carnegie Endowment for International Peace.

Ministry of Finance. (2020). *Economic survey 2019–20*. Government of India. https://www.indiabudget.gov.in/economicsurvey/

Nayyar, D. (Ed.) (1994). *Industrial growth and stagnation—The debate in India*. Oxford University Press.

Patnaik, P. (2021). Globalization and the pandemic. In V. Rawal, J. Ghosh, & C. P. Chandrasekhar (Eds.), *When governments fail: A pandemic and its aftermath* (pp. 3–12). Tulika Books.

Patnaik, P. (Ed.) (2015) *Economics: Volume 3: Macroeconomics*. Oxford University Press.

Ramachandran, V. K. (1996). On Kerala's development achievements. In Drèze, Jean & Amartya Sen (Eds.), *Indian development: Selected regional perspectives* (pp. 205–356). Oxford University Press.

Rawal, V., & Manish, K. (2020). COVID-19 lockdown: The crisis of rural employment. Available at https://coronapolicyimpact.org/2020/05/20/the-crisis-of-rural-employment/?fbclid=IwAR2F0jGTTfcUnGQ5ly1vnFyGdWt7IxskDQAjcpqnutZSELf9BkS68nQx2lc

Roychowdhury, A. (2018). *Labour law reforms in India: All in the name of jobs*. Routledge.

Shyam Sundar, K. R. (2020). What is wrong with the centre's new labour codes. Newsclick, 22 September. https://www.newsclick.in/what-wrong-centre-new-labour-codes

Thomas, J. J. (2020a). Labour market changes in India, 2005–2018: Missing the demographic window of opportunity? *Economic and Political Weekly, 55*(34), 57–63.

Thomas, J. J. (2020b). India's Poor may have lost Rs. 4 lakh crore in the Corona virus Lockdown. *Scroll*, 4 June. https://scroll.in/article/963284/indias-poor-may-have-lost-rs-4-lakh-crore-in-the-coronavirus-lockdown

Thomas, J. J. (2021a). Has labour rigidiy slowed down employment growth in Indian manufacturing. In Sunil Mani & Chidambaran G. Iyer (Eds.), *India's economy and society: Lateral explorations* (pp. 327–352). Springer.

Thomas, J. J. (2021b). The achievements and challenges of the 'Kerala Model'. *The India Forum*, 2 July.

CHAPTER 4

Palestine: The Pandemic Between Occupation and Neoliberalism

Clara Capelli and Marco Missaglia

Abstract The COVID-19 pandemic has generated a crisis within a crisis in Palestine. The economy of the Palestinian Territories has been weakened by and subordinated to the Israeli occupation. The post-Oslo neoliberal turn has worsened the situation. The Palestinian public institutions have a very restricted policy space and are heavily dependent on the donors' agendas. The role of the Palestinian economists and experts is significantly challenged by this unique situation, both in terms of theoretical contributions and policy-making. This chapter aims at scrutinising how to theoretically frame the specificities of the Palestinian economy and discussing both mainstream and 'heterodox' economic approaches can

C. Capelli (✉)
Cooperation and Development Network, University of Pavia, Pavia, Italy
e-mail: clara.capelli@gmail.com

MICAD, Bethlehem University, Bethlehem, Palestine

M. Missaglia
University of Pavia, Pavia, Italy
e-mail: marco.missaglia@unipv.it

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0_4

hardly offer effective policies and actions for a more sustainable and less unequal development, even in the aftermath of the pandemic. A number of interviews integrate the analysis about the economic debate in Palestine and the way economic thought is produced and translated into policies.

Keywords Palestine · Palestinian economy · Neoliberalism · Oslo · COVID-19 · De-development

4.1 Introduction

Prior to the outbreak of the COVID-19 pandemic, the Palestinian economy had been performing weakly for years. According to MAS (2020), the average real per capita GDP for the West Bank and the Gaza Strip (WBGS) had already been deteriorating before the health crisis: in 2019 it amounted to US$3,364, which is a decrease of more than 3.5% from 2016 (US$3,490).

The pandemic generated a crisis within a crisis, making 2020 'the worst year for the Palestinian people since the establishment of the Palestinian National Authority in 1994' (UNCTAD, 2021, p. 1). Palestinian society has long lived under restrictions and closures, but following the COVID-19 crisis the Palestinian economy fell by 11.5% in 2020, a contraction only comparable to the one observed during the Second Intifada in 2002, when GDP decreased by 12.5% as a consequence of the political lockdown imposed by Israel (UNCTAD, 2021). Real per capita GDP collapsed by 13.7% to US$2,913 in 2020 (15% in 2002).

Israeli occupation has indeed deformed, weakened and fragmented the Palestinian economic system. Palestine is a war-torn economy, characterised by profound distortions and disequilibria that have been accumulating over time. The architecture set up by the Oslo Accords and the Protocol on Economic Relations (known as the Paris Protocol) in 1994 restricts the policy space of the Palestinian Authority (henceforth, PA). Palestine does not have its own currency (it uses the New Israeli Shekel, NIS) or control over its fiscal resources and borders; trade is conditioned to the customs union framework established by the Paris Protocol. Palestine is also heavily dependent on international aid for humanitarian assistance and development expenditure, which is also needed to cope with what the PA defines as 'structural fiscal problems' (PA, 2007,

p. 13). As one non-mainstream Palestinian economist interviewed for this chapter commented: 'International aid is the main form of fiscal policy in Palestine'.

The response to the COVID-19 crisis in Palestine was heavily constrained by the limited resources available and the restricted room for manoeuvre. International aid—which has declined considerably over the past years—is largely insufficient and dependent on donors' agendas and priorities (MAS, 2020; UNCTAD, 2021; World Bank, 2021). Palestinian economists are left with a very narrow space, particularly in relation to policy-making. The main questions to pose revolve around Israeli occupation: how to frame it theoretically, as well as which policies to implement for Palestine's economic recovery and development in a situation of protracted conflict and dispossession. This chapter investigates the role of Palestinian economists under these dramatic and unique conditions. Within this context, the COVID-19 crisis can hardly create the circumstances for change.

This chapter is structured as follows. Section 4.2 illustrates some of the specificities of the Palestinian economy, focusing on academic debate on the relationship between neoliberalism, Israeli occupation and development aid. Section 4.3 provides a brief overview of Palestine's situation in the aftermath of the outbreak of the pandemic, showing that Palestinian policy-makers have very limited options in terms of viable solutions. Both sections refer to thoughts and comments gathered during six semi-structured interviews with scholars and experts on the Palestinian economy conducted between September and December 2021. Section 4.4 concludes.

4.2 Palestinian Economic Thought from Liberation to a Distorted Neoliberal Economy

The definition of what we mean by 'the Palestinian economy' requires several considerations. As argued by Leila Farsakh (2016a), the boundaries of the so-called 'Palestinian economy' have shifted many times and in different ways over the course of the past century.[1] After the Oslo Accords of 1993, Palestine can be seen as divided into two main geographical areas, the West Bank—including East Jerusalem[2]—and the Gaza Strip. Since 1994, data have been made available by the Palestinian Central Bureau of Statistics (PCBS) for the West Bank and the Gaza Strip, but fragmentation and disconnection are intrinsic characteristics of these areas.

Palestinian institutions have limited sovereignty over the territories. A Separation Wall—whose construction started in 2002, in the midst of the Second Intifada—runs inside the territory of the West Bank, which is in turn divided into pockets of land classified as Area A (under administrative and police control of the PA), Area B (under Israeli security control, but administered by the PA), and Area C (administered by Israel), which accounts for more than 60% of the West Bank. Approximately 600,000 Israeli settlers live in settlements—illegal under international law—in the West Bank (notably Area C) and East Jerusalem. The Gaza Strip has been under an extremely severe land, air and sea blockade since 2007, further exacerbated by Israeli air strikes and military operations and by the divisions between the PA and the Hamas de facto administration.[3]

According to PCBS (2021), approximately 125,000 Palestinians—including undocumented labourers—worked in Israel and the Israeli settlements in 2020 (13.1% of the employed workforce aged above 15 in 2020), crossing the border on a daily basis. They are mostly employed in sectors such as agriculture, construction and low-value-added services. Over 900,000 registered Palestinian refugees from the forced displacements of 1948 and 1967 live in 27 refugee camps (8 in the Gaza Strip and 19 in the West Bank), with the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA) providing assistance and protection.

Following the analysis carried out by the United Nations Conference on Trade and Development (UNCTAD) (2012), the long-term economic distortions of occupation can be related to (i) the systemic seizure and

[1] See Farsakh (2016a, 2016b) and Taha (2021). For instance, a long-lasting debate has regarded the Palestinian citizens of Israel in relation to both the Israeli and the Palestinian economy.

[2] As for the status of Jerusalem, see Resolutions 181 (1947) and 303 (1949) of the UN General Assembly. East Jerusalem is under Israeli administration.

[3] Isolation and separation have also had repercussions on data availability and coverage, particularly with respect to the so-called 'tunnel economy' and related tax revenues.

denial of access to land and natural resources; (ii) recurrent closures, blockades, regulatory constraints and (often unforeseeable) limitations, which have disrupted territorial continuity and dramatically increased the transaction costs of most economic activities; (iii) leakage of financial resources, either in the form of transfers to Israel (e.g. direct and indirect taxes, social security contributions, etc.) or—after Oslo—as clearance taxes (i.e. custom, levies, excises, purchase and VAT) collected by Israel to be transferred to the PA, although such transfers have often been delayed or suspended for political reasons.[4]

Many works have explored the consequences of this conflict on the Palestinian economy. UNCTAD has extensively investigated the erosion of the Palestinian productive base, especially after the Second Intifada (2000–2005). In particular, it highlighted the weakness of Palestinian industry, as well as the predominance of the non-tradable sector, from traditional agriculture to services and construction. Job opportunities are limited with respect to the size of the labour force. Tens of thousands of Palestinian workers are employed in Israel and the Israeli settlements, which negatively impacts the local wage structure, increasing Palestinian dependency on the Israeli economy (UNCTAD, 2012) and further reducing external competitiveness through real exchange appreciation (Missaglia & de Boer, 2004).

The Palestinian economy is markedly consumption-driven, with consumption fuelled by debt and external inflows. Raja Khalidi (2019) uses the expression 'structural deformation' to describe the transformation undergone by the Palestinian economic system since the Oslo Accords. He focuses especially on the fragility of the Palestinian economy and its vulnerability to shocks. First, investment is limited and characterised by low productivity. Most private investors tend to look at the real estate sector rather than productive activities.[5] However, there are very scarce resources for public investment. Second, Palestine runs a chronically high trade deficit, due to a combination of weak export performance

[4] See UNCTAD (2019), *The economic costs of the Israeli occupation for the Palestinian people: Cumulative fiscal costs*.

[5] According to PCBS data, almost two-thirds of overall investment is into the construction sector. MAS (2019) calculates that about 80% of private investment is for residential and commercial buildings. This kind of investment is predominantly debt-driven. Harker (2020) shows that data from the Palestinian Monetary Authority (PMA) confirms that most private debt is spent on land, housing and consumption rather than on productive activities.

and high dependency on imports (mostly channelled through Israel) to meet national aggregate demand. Third, the Palestinian manufacturing sector has undergone a substantial decline, and services (especially wholesale and retail trade) account for approximately two-thirds of the national GDP as well as of employment.

In a similar vein, Ibrahim Shikaki (2021a) discusses how the Palestinian productive structure has been negatively shaped by occupation, even before Oslo, with most economic activities concentrated on trade. Making reference to dependency theories and the centre–periphery approach, Shikaki observes that the Palestinian economy has subordinately been transformed by economic asymmetries and power imbalances with Israel.

The size and type of trade flows in Palestine are indicative of a structural form of dependency—particularly on Israel. Imports from Israel largely consist of consumer durable goods[6] and machinery, intermediate goods and raw materials. Exports are mainly characterised by a low-value-added content (e.g., agricultural or light manufacturing goods) and, even more relevantly under a centre–periphery perspective, a low elasticity to world income. This, in turn, must be seen in relation to Israel's control over all the borders and entry points with the WBGS, and the various non-tariff barriers, regulations and administrative procedures it applies to Palestine (Taghdisi-Rad & Khalidi, 2009). Shikaki (2021b) notes that Palestine's economic dependency on the Israeli economy results not only in Palestinians seeking work in Israel, but also in the Palestinian industrial bourgeoisie being reduced to the position of subcontractors of the Israeli capitalists, which helps explain the low-value-added content of Palestinian exports.[7]

Sara Roy (1995, 1999, 2016) puts forward the term 'de-development' to describe the peculiar conditions of the Palestinian economy under occupation. The concept of de-development is similar to that of under-development, in the sense that it refers to an economy's subordinate relationship with a stronger economic system. However, unlike under-development, de-development is associated with a series of distortions

[6] Shikaki (2021a) observes that several types of goods imported from Israel (e.g., garments, footwear, furniture, pharmaceutical products, etc.) were previously produced domestically, showing how the Palestinian manufacturing sector has declined over the decades.

[7] Big Palestinian traders (or merchant capitalists) represent a class that largely benefitted from trade with Israel under occupation. See Samara (1988) and Shikaki (2021b).

that thwart the prospect of growth and development. Roy considers that the roots of this process date back to the decades prior to the Oslo Accords, with policies that have (i) hindered Palestine's structural change and capital accumulation through practices of dispossession and resource extraction; (ii) made the Palestinian economy subordinate to the Israeli market, particularly with reference to trade and labour; and (iii) 'de-institutionalised' Palestine by imposing strict regulations and requirements that have substantially restricted its room for policy-making.

The post-Oslo period worsened the conditions of the Palestinian economy. Numerous closures imposed by Israel have led to what Roy calls 'economic enclavisation' to define the separation, partition and bifurcation of the Palestinian economic system (Roy, 1999). With reference to the Gaza Strip, she argues that after 1967 the Israeli occupation has disarticulated, dispossessed and disfigured it to an extent that cannot be fully explained by dependency and underdevelopment theories, as it incorporates a significant component of deliberate political aggression (Roy, 1995, 2016). De-development of the Gaza Strip undermines Palestine's chances to accumulate capital and industrialise.

The Economic Debate in Palestine

The Palestine economists' space for debate is extremely limited. Palestine exists in a situation of permanent structural uncertainty and dysfunctionality, while its resources are limited and dependent on decisions made by international donors. One Palestinian scholar affirmed that '[Palestinian] policy-makers cannot do big things. It's a dead end. They have limited inputs and can only focus on laws and regulations and on service provision'.

As claimed by Raja Khalidi (2014), the production of 'national economic thought and practice' was a core component of Palestinian history, deeply intertwined with its struggle for liberation and the achievement of rights. A significant change occurred in the 1990s, when free-market principles replaced the objectives of national liberation. Following Farsakh (2016a), we may identify a line of debate between two paradigms analysing and conceptualising Palestine's economic particularism: the critical political economy and the neoliberal discourse, which tends to be adopted and applied by the Palestinian authorities and the donor community. After Oslo, many Palestinian political and academic circles discarded the schemes revolving around the paradigm of 'settler colonialism'; these schemes look at power structures and imbalances between Palestine and Israel and are based on concepts such as dispossession and exploitation (Farsakh, 2016a; Khalidi, 2016).[8] The focus shifted towards the need to establish a well-functioning and stable 'state', stressing the importance of managing the aid that began to flow into Palestine from donor countries and international organisations.

Policies and negotiations became a by-product of the liberal peace framework, which claims that 'conflicts could be defused by encouraging the liberalisation of the political and economic structures of post-conflict societies' (Haddad, 2016, p. 25). In light of this view, peace-building (rather than state-building) was seen as instrumental to generate a peace dividend within a capitalist economy that could distribute prosperity among the Palestinian population, regardless of the power imbalances and asymmetries with Israel and the restrictions set by the Oslo Accords and the Paris Protocol.

Ala'a Tartir (2015) considers that neoliberalism is the 'leading and defining ideology in both the political and economic spheres' of the Oslo framework. For instance, Article 21.1 of the Palestinian Basic Law states that 'The economic system in Palestine shall be based on the principles of a free market economy'. The priority had become the elaboration of the 'right economic policies' for economic growth, emphasising concepts strictly connected with neoliberal economic policy, such as good governance, fiscal discipline and private sector development.

The aftermath of the Second Intifada and the beginning of the blockade of the Gaza Strip marked another milestone in the making of what Khalidi (2019, p. 104) has described as 'a free market economy under colonial domination'. In 2007, Salam Fayyad, an economist who previously served at the World Bank, became Prime Minister of a technocratic government, and this lasted until 2013. Tariq Dana (2015) considers 'Fayyadism' a shorthand phrase for the PA's approaches and policies that have underpinned neoliberalism in Palestine, with a reform agenda pursuing objectives such as security, governance and private-sector-led development. The relationship with the donor community and aid is a core element of Fayyadism, which looks at development as a 'technical issue' to be tackled through international support and compliance with standards set by the donor agencies.

[8] See Farsakh (2016a) on the debate regarding the notion of colonialism prior to Oslo.

One embodiment of Fayyadism's emphasis on the private sector is the Palestine Investment Conference, which was held in Bethlehem in 2008. It aimed to raise funds from investors—mainly from the Middle East and Palestine—for over 100 projects.[9] Christopher Harker (2020) illustrates how indebtedness growth since 2008 has been associated with Fayyadism and the reforms of banking regulation and practices adopted in alignment with international standards promoted by donor agencies, especially the World Bank (see also Haddad, 2016). Dana (2015) traces a connection between Fayyadism and the idea of 'economic peace' spearheaded by Benjamin Netanyahu after the 2009 elections. This relied on two elements: Israeli security and market forces to encourage Palestinians—particularly in the West Bank—to accept the status quo. More recent attempts to promote economic peace have been the 2013 Kerry Plan and the 2019 Kushner Plan. Shikaki argues that the core flaw of these plans is that they provide 'an economic solution to a political problem' (Shikaki, 2021c). This view is also a pivotal component of donor agencies' agenda and operations.

Sahar Taghdisi-Rad (2010) delineates the alignment of international aid with the Post-Washington Consensus after the Second Intifada. While the 1990s were largely characterised by development assistance and infrastructure building, the early 2000s were marked by a turn towards institution-building, capacity-building and governance reforms; development assistance shifted to emergency and humanitarian assistance. The scholar discusses how the sectoral allocation of international aid could hardly respond to the needs of the Palestinian economy, and highlights 'the limited capacity of donors facing strict Israeli measures and obstacles' along with their passivity face to occupation, 'by working around the "conflict" and by tolerating the high (and unlimited) costs of an already failed peace process'.

With reference to the World Bank and the International Monetary Fund, Kanafani and Cobham (2007) argue that their policy recommendations were too standardised and not adequately tailored to the peculiarities of the Palestinian economy. Haddad mentions former World Bank's Country Director for West Bank and Gaza Nigel Roberts, who spoke of the 'guesstimates' of donor assistance aiming at 'maintain[ing] political momentum' or 'permit[ing] the survival of the PA' to emphasise

[9] Most of the projects funded were related to the housing and construction sector, including the city of Rawabi.

the general inconsistency between development aid and the Palestinian context (Haddad, 2016; Roberts, 2005).

Given the role and weight of international aid in Palestine, many Palestinians with degrees in economics (or accounting, business, finance, etc.) find job opportunities—as staff members or external consultants—in this domain, working for donor organisations (i.e. the European Union, the United Nations, the World Bank and the International Monetary Fund, as well as bilateral agencies (such as US Agency for International Development [USAID], Agence Française de Développement [AFD], Deutsche Gesellschaft für Internationale Zusammenarbeit [GIZ], the Foreign, Commonwealth & Development Office [FCDO], etc.) and contributing as 'experts' to the development and implementation of economic policies. Some of them are pushed by the need for additional revenue to add to their meagre salaries, so they could afford the cost of living in WBGS. Most of these experts tend to accept and replicate the neoliberal approaches of international aid, which could hardly bring any critical or innovative contributions. An academic scholar expert in the political economy of aid argues that: 'They become a product of the system. And the system moulds you and de-politicises you. It may ask for new ideas, but in reality the procedures and the short-termism of the donors do not allow it'.

Neoliberal forms of aid were not capable of facilitating the generation of shared prosperity or economic growth, particularly in a situation of protracted conflict and occupation (Farsakh, 2016b; Taghdisi-Rad, 2010). A considerable stream of literature has discussed the failure of the 'capitalist peace model' pursued since Oslo (Dana, 2015). Especially over the course of the past ten to fifteen years, scholars have debated how this ideology, also championed by the donor community, consolidated and entrenched different forms of colonial domination and subordination as well as authoritarianism (Dana, 2015; Farsakh, 2016a; Khalidi & Samour, 2011). Another important line of literature focuses on the reinforcement and deepening of neo-patrimonial and rent-seeking practices (Haddad, 2016), as well as investigating class dynamics and (crony) capitalist networks (Dana, 2020; Tannira, 2021).

Harvey (2007a) stresses how neoliberal practices generally diverge from the prescriptions of the neoliberal doctrine. A crucial point to discuss regards the limited policy space for the Palestinian neoliberal economy. If neoliberalism proposes the 'maximisation of entrepreneurial freedoms within an institutional framework characterised by private property rights, individual liberty, unencumbered markets, and free trade' (Harvey, 2007b, p. 22), such a framework can hardly be guaranteed in the context of occupation.

Khalidi and Samour (2011) illustrate the many constraints to the full implementation of neoliberal measures by the PA. Palestine cannot adopt orthodox monetary policies because it does not have an independent central bank; it has very few assets to privatise; it cannot liberalise trade under the Paris Protocol. As regards investment policy, it can attempt to attract foreign direct investments (FDIs) and encourage private entrepreneurship by introducing business-friendly regulations and reforms, but its business environment is rife with uncertainty and volatility. The PA is compelled to fiscal austerity because of its limited resources and its entrenched dependency on clearance taxes and international aid; this translates into reforms (or attempts of reforms) in the domain of public fiscal management and cuts or containment in public expenditure, notably with reference to the public sector wage bill, social transfers, net lending, etc. If fiscal stimuli are not possible, this is not due to neoliberalism or mainstream, market-oriented paradigms, but to the Paris Protocol. Similarly, Kanafani and Cobham (2007) contend that most of the points of the Washington Consensus cannot be applied to the Palestinian context because of a lack of sovereignty over the policy tools, with the partial exception of fiscal control, public expenditure and privatisation. According to Shikaki, while privatisation and financialisation are key elements of the neoliberal agenda, as theorised by David Harvey, Palestine should be deemed as a case of 'direct dispossession through land confiscation', thus reclaiming the settler colonialism paradigm (Shikaki, 2021b).

The economic debate in Palestine is shaped by the various ways of framing the concept of occupation. For instance, Shikaki explicitly questions the analytical potential of mainstream neoclassical economics with respect to the Palestinian economy and its relations with Israel (Shikaki, 2021b). He argues that the tools provided by radical and Marxist political economy—which have a strong focus on historical materialism and class analysis—are more appropriate for this object of research. Khalidi considers post-2010 literature on Palestinian development a distinct domain of scholarship:

> … populated by a somewhat younger, radical, and impatient generation of heterodox and activist scholars that departs from, indeed renounces, the preceding trend in studying the realities of Palestinian development. While drawing on the earliest traditions of national liberation social science, these voices have explicitly challenged the prevailing narratives of so-called peace-building, including the neoliberal economic policies that underpin much of the post-Oslo literature on Palestinian development. They seek to make their scholarship meaningful not only academically but also politically. (Khalidi, 2016, p. 7)

4.3 Palestine's Response to COVID-19

The pandemic hit a society already struggling with declining GDP per capita and deteriorating living conditions. The PA's response was heavily affected by the scarcity of resources available and its reduced scope for intervention. Consequently, the role of economists in putting forward economic policies for recovery and development is also limited.

During the interviews conducted, a university professor from the West Bank highlighted the 'short-termism' of the PA, which reacted promptly to the crisis but lacked the resources to develop, let alone to implement a longer-term plan. The academic source added that academic debate was very limited, a comment echoed by a university professor from the Gaza Strip, who reflected on the fact that most academic discussions were about the implications and opportunity costs of closures in lockdown, but very little was said about possible macroeconomic options for recovery and development. Another Palestinian scholar spoke of a 'management mode', while a non-mainstream Palestinian economist said: 'There is no policy in Palestine. There is no real decision-making. We may have economic plans, but they [the Israeli government and international donors] have the budget'. This feeling seems to be stronger in the Gaza Strip, due to the specific conditions in the area, which makes 'the decision-makers in Ramallah detached from Gaza', as the Gazan professor claimed.

The dramatic contraction of the aggregate real GDP in WBGS in 2020 was caused by a fall in domestic absorption, plus a positive contribution of foreign trade resulting from a decrease in imports (–15.4% in nominal terms) that outweighed the reduction in exports (–7%). Due to Palestine's occupation-related structural deficiencies, its imports are very elastic to domestic income, whereas exports (with the exception of tourism) are relatively rigid to world income. As always happens in adverse circumstances, investment spending—which was already stagnant and directed towards low-value-added and low-productivity sectors—reacted much more significantly (–23% on a year-by-year basis) than consumption (–12%), although an essentially unitary elasticity of consumption to current income shows how difficult consumption smoothing is in the Palestinian context. It was no surprise that construction was the most impacted sector, with a contraction of value added by 35.6%. Services also fell by 18% because of the harsh impact of the pandemic-related closures on tourism.

As shown by the International Labour Organization (2021), the ability of the Palestinian economy to create jobs and absorb the labour force was already low before COVID-19. In 2019 the employment-to-population ratio was 33.1%, the second lowest in the world. In 2020, employment of the Palestinian labour force contracted both in the local market and in Israel and the Israeli settlements (by 5% and 6%, respectively). The average unemployment rate in WBGS rose to 25.3% (14.6% in the West Bank and 45.1% in the Gaza Strip), while labour force participation decreased from 44.3% in 2019 to 40.9% (from 46.4 to 44.44% in the West Bank and from 40.9 to 35.3% in the Gaza Strip) in 2020. MAS explains this decline, suggesting that the health and economic crisis generated by the pandemic might have convinced more 'discouraged workers'—especially youth—to actively look for a job in the formal economy (MAS, 2020). In 2020, the youth unemployment rate (of people aged 15–24) was about 42% in WBGS; according to ILO data, youth labour force participation dropped from 30.3% in 2019 to 25.9% in 2020.

Poverty levels have increased considerably over recent years, and the pandemic has worsened the situation. The World Bank (2021) calculates that the poverty rate (people living on less than US$5.50 a day, 2011 PPP) in WBGS has been increasing since 2016 and hit 28.9% in 2020, which corresponds to approximately 1.4 million people. The situation is particularly serious in the Gaza Strip, where household expenditure and living conditions are more sensitive to flows of social assistance than in the West Bank.

There is general consensus that the PA managed to respond to the health and socioeconomic crisis in the aftermath of the outbreak of the COVID-19, despite an even lower availability of resources due to a six-month stalemate between the PA and the Israeli government over clearance payments. Recurrent expenditure grew by 5.5% in 2020 and social assistance (i.e. unemployment benefits, assistance to poor households and vulnerable families) increased by 11.7% (World Bank, 2021). One-off cash transfers were also paid. On the other hand, development expenditure decreased by 22% (UNCTAD, 2021), although it represents a mere 10% of overall public expenditure (MAS, 2020). The PA attempted to mitigate the adverse effects of the pandemic on employment and negotiate with employers' representatives to avoid massive layoffs, even though nearly half of Palestinian workers (especially in agriculture and construction) are employed as informal labourers (ILO, 2021; MAS, 2021).

In the context of this crisis, donors' contributions were insufficient. This point was raised by several interviewees. They emphasised that donors' agendas and the forms of neoliberal aid observed throughout the past two decades are at odds with inclusive, sustainable development. This 'management mode' will not be reconsidered in the post-COVID era; donors are rather expected to recalibrate their 'guesstimations' instead of rethinking the forms of aid and the post-Oslo architecture. There seems to be no alternative options to foreign aid in terms of resources for economic policies within this framework.

International aid has been declining for several years, and 2020 was characterised by the lowest levels of donor funding in decades, 20% less than in 2019 (UNCTAD, 2021; World Bank, 2021). The PA's deficit reached 10% of GDP in 2020 (it was 7.3% in 2019), with a 37% increase in domestic public debt (corresponding to 23.5% of GDP, the highest level since the establishment of the PA). While it is true that Palestinian public debt is not high compared to international standards, it must be stressed that in the absence of a national currency it cannot be considered a 'safe asset'. Hence, it is not different in essence from private debt. The PA had to increase its borrowing from domestic banks, as it could not issue securities. Domestic bank borrowing has exceeded the limit set by the PMA, which may imply—if foreign aid does not increase in future—additional arrears of the PA to the private sector, and even bleaker prospects for future development policies (World Bank, 2021).

In 2020, the PA more than doubled its arrears to private suppliers (UNCTAD, 2021), and public employees were only paid half of their salary for six months. The macroeconomic implications of debt financing through arrears are serious, as accumulating arrears offsets the potentially expansionary effects of increasing deficit and debt. In other words, in the Palestinian context, a standard macroeconomic policy results into a dramatic exercise of redistribution for arrears repayment. One Palestinian economist declared that, in relation to economic policy-making in Palestine, 'Some forms of Keynesism and structural transformation are the best options to hope for' as an alternative to market fundamentalism. Nevertheless, the macroeconomic outlook of Palestine seems to imply that even mild recommendations of non-mainstream economic policies are not feasible.

Private indebtedness is another major source of concern. Private debt[10] at the end of December 2020 was 49.95% of the GDP. According to the World Bank (2021), the quality of loan portfolios in the Palestinian banking and microfinance sectors had already deteriorated prior to COVID-19; non-performing loans have been increasing since 2018 and are concentrated in critical portfolios, mainly with respect to small and medium-sized enterprises (SMEs), the Gaza Strip and public employees, who account for 40% of total banking sector credits.

The banking sector showed a certain degree of recovery in the first half of 2021, while a decline in the overall credit-to-deposit ratio following an increase in bank deposits with respect to bank credit might suggest a scenario of Keynesian 'hoarded balance' and an economic pattern typical of a subsistence economy rather than a capital-accumulating one. In fact, between 2020 and 2021 credit increased primarily because of domestic public debt; two-thirds of lending to the private sector involved construction, trade finance and consumer loans (World Bank, 2021). As one of the interviewees pointed out, tension between the growing needs of the Palestinian population and the scarce resources of public institutions will persist over time; the market can only provide the bare minimum to the majority of the Palestinians, and the PA will increasingly struggle to meet their needs.

4.4 Concluding Remarks

Putting forward alternative theoretical frameworks and policy options can be seen as one of the main roles of economists. This is extremely challenging in the context of Palestine. Mainstream economics seems to be inadequate in the face of occupation, as no market-based solution can effectively fix the distortions caused by occupation, especially when

[10] The PMA calculates private debt by subtracting private credits to financial services and financial companies' securities purchasing and carrying from total private credits.

resources are limited and volatile, let alone pave the way for more sustainable, less unequal forms of development. Yet, while acknowledging that neoliberalism and mainstream economics should be questioned, not even heterodox approaches—albeit reasonable ones with respect to the Palestinian productive base and its many socioeconomic fragilities and forms of inequality—cannot be applied in a context of prolonged conflict and occupation. One interviewee stated that 'no change can generate a major change in Palestine'.

Economists and economic development experts can either accept the status quo or advocate for a radical change of theory and practice. Economic thought in WBGS seems to depend on re-placing the objectives of national liberation and Palestinian rights at the centre of the debate (Hanieh, 2016). Unfortunately, very little has been written on internal issues such as class warfare and neo-patrimonial practices in Palestine, but they are crucial components of this discourse. Another issue to take into consideration was raised by a couple of academic economists we interviewed, who stressed that engaging in economics (let alone in non-mainstream studies) is challenging in Palestine, because of the limited resources of Palestinian universities and low demand by students, since they foresee very few employment possibilities in this domain.

One interviewee commented that 'economic policy is not going to save Palestine'. In so doing, they reclaimed the crucial relevance of not uncoupling politics from economics against the short-term management of occupation.

References

Dana, T. (2015). The symbiosis between Palestinian "Fayyadism" and Israeli economic peace: The political economy of capitalist peace in the context of colonisation. *Conflict, Security & Development, 15*(5), 455–477.

Dana, T. (2020). Crony capitalism in the Palestinian authority: A deal among friends. *Third World Quarterly, 41*(2), 247–263.

Farsakh, L. (2016a). Palestinian economic development: Paradigm shifts since the first Intifada. *Journal of Palestinian Studies, 45*(2), 55–71.

Farsakh, L. (2016b). Undermining democracy in Palestine: The politics of international aid since Oslo. *Journal of Palestine Studies, 45*(4), 48.63.

Haddad, T. (2016). *Palestine Ltd. Neoliberalism and nationalism in the occupied territory*. I.B. Taurus.

Hanieh, A. (2016). Development as struggle: Confronting the reality of power in Palestine. *Journal of Palestine Studies, 45*(4), 32–47.

Harker, C. (2020). *Spacing Debt: Obligations, violence and endurance in Ramallah, Palestine*. Duke University Press.

Harvey, D. (2007a). *A brief history of neoliberalism*. Oxford University Press.

Harvey, D. (2007b). Neoliberalism as creative destruction. *The Annals of the American Academy of Political and Social Science, 610*, 22–44.

ILO. (2021). *The situation of workers of the occupied Arab territories*. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_793285.pdf

Kanafani, N., & Cobham, D. (2007). The economic record of the World Bank and the International Monetary Fund in the West Bank and Gaza: An assessment. In *Proceedings of MAS' Annual Conference 2007. Palestinian Economy: Forty Years of Occupation…Forty Years of Arrested Development* (pp. 33–80).

Khalidi, R. (2014, October 15). The economics of Palestinian liberation. *The Jacobin*. https://www.jacobinmag.com/2014/10/the-economics-of-palestinian-liberation

Khalidi, R. (2016). Twenty-first century Palestinian development studies. *Journal of Palestine Studies, 45*(4), 7–15.

Khalidi, R. (2019). The structural transformation of the Palestinian economy after Oslo. In M. Turner (Ed.), *From the River to the Sea: Palestine and Israel in the shadow of peace* (pp. 95–123). Rowman & Littlefield.

Khalidi, R., & Samour, S. (2011). Neoliberalism as liberation: The statehood program and the remaking of the Palestinian movement. *Journal of Palestine Studies, 40*(2), 6–25.

MAS. (2019). *Political economy analysis of the Palestinian Private Sector*. https://www.mas.ps/files/server/20190905104256-1.pdf

MAS. (2020). *Economic Monitor 64*. https://www.mas.ps/files/server/2021/New/Q64%20English.pdf

MAS. (2021). *Comprehensive response to socio-economic impacts of the COVID-19 pandemic in Palestine under occupation. Pillar 1: The economic impact of the coronavirus pandemic*. https://www.mas.ps/files/server/20212702132039-1.pdf

Missaglia, M., & de Boer, P. (2004). Food-for-work versus cash-for-work: Emergency assistance in Palestine. *Economic Systems Research, 16*(4), 367–390.

Palestinian Authority. (2007). *Building a Palestinian state towards peace and prosperity*. https://unispal.un.org/pdfs/PRDPFinal.pdf

PCBS. (2021). *Labour force survey 2020: The impact of the coronavirus pandemic on the labour market*.

Roberts, N. (2005). Hard lessons from Oslo: Foreign Aid and the mistakes of the 1990s. In M. Keating, A. Le More, & R. Lowe (Eds.), *Aid, diplomacy and facts on the ground: The case of Palestine*. Royal Institute of International Affairs.

Roy, S. (1995). *The Gaza Strip: The political economy of de-development*. Institute for Palestine Studies.
Roy, S. (1999). De-development revisited: Palestinian economy and society after Oslo. *Journal of Palestinian Studies, 28*(3), 64–82.
Roy, S. (2016). *The Gaza Strip: The political economy of de-development* (3rd ed.). Institute for Palestine Studies.
Samara, A. (1988). *The political economy of the West Bank 1967–1987: From peripheralization to development*. Khamsin Publications.
Shikaki, I. (2021a). *The demise of Palestinian productive sectors: Internal trade as a microcosm of the impact of occupation*. Al-Shabaka Policy Briefs. https://al-shabaka.org/briefs/demise-of-palestinian-productive-sectors/
Shikaki, I. (2021b). The political economy of dependency and class formation. In A. Tartir, T. Dana, & T. Seidel (Eds.), *Political economy of Palestine: Critical, interdisciplinary, and decolonial perspectives* (pp. 49–80). Palgrave Macmillan.
Shikaki, I. (2021c, June 2). Economic peace with Israel won't help Palestinians. *Foreign Policy*. https://foreignpolicy.com/2021c/06/02/palestine-israel-conflict-occupation-peace-economy-trade-services-manufacturing-agriculture-labor-dependency/
Taghdisi-Rad, S. (2010). *The political economy of aid in Palestine: Relief from conflict or development delayed*? Routledge.
Taghdisi-Rad, S., & Khalidi, R. (2009). *The economic dimensions of prolonged occupation; continuity and change in Israeli policy towards the Palestinian economy*. A Special Report Commemorating Twenty-Five Years of UNCTAD's Programme of Assistance to the Palestinian People. UNCTAD. https://unctad.org/system/files/official-document/gds20092_en.pdf
Taha, H. (2021). Palestinian in Israel: Neoliberal contestations and class formation. In A. Tartir, T. Dana, & T. Seidel (Eds.), *Political economy of Palestine: Critical, interdisciplinary, and decolonial perspectives* (pp. 155–176). Palgrave Macmillan.
Tannira, A. (2021). The political economy of the Gaza Strip under Hamas. In A. Tartir, T. Dana, & T. Seidel (Eds.), *Political economy of Palestine: Critical, interdisciplinary, and decolonial perspectives* (pp. 135–154). Palgrave Macmillan.
Tartir, A. (2015). Contentious economics in occupied Palestine. In G. Fawaz (Ed.), *Contentious politics in the Middle East* (pp. 467–499). Palgrave Macmillan.
UNCTAD. (2012). *The Palestinian economy: Macroeconomic and trade policymaking under occupation*. https://unctad.org/system/files/official-document/gdsapp2011d1_en.pdf
UNCTAD. (2019). *The economic costs of the Israeli occupation for the Palestinian people: Cumulative fiscal costs*. https://unctad.org/system/files/official-document/gdsapp2019d2_en.pdf

UNCTAD. (2021). *Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the occupied Palestinian Territory*. https://unctad.org/system/files/official-document/tdbex71d2_en.pdf

WB. (2021). *Economic Monitoring Report to the Ad Hoc Liason Committee*. https://documents1.worldbank.org/curated/en/443631635864878225/pdf/Economic-Monitoring-Report-to-the-Ad-Hoc-Liaison-Committee.pdf

CHAPTER 5

Economic Policy Debates in France Since COVID-19: A Lasting Shift in Macron's Doctrine?

Mickaël Clévenot and Alexis Saludjian

Abstract The chapter discusses the economic policies that have been implemented in France to respond to the COVID-19 crisis. By examining some emerging contradictions within interventionist policies, we will argue that doctrines about state intervention took a 180-degree turn during the crisis. The first section contains an overview of the

---

A. Saludjian Federal University of Rio de Janeiro (UFRJ), Rio de Janeiro, Brazil; Sabbatical year ar CEPN-Univsersite' Paris Nord (2020–2021). e-mail: saludjian@ie.ufrj.br

---

M. Clévenot
University of Burgundy, Dijon, France
e-mail: mickael.clevenot@u-bourgogne.fr

A. Saludjian (✉)
Federal University of Rio de Janeiro (UFRJ), Rio de Janeiro, Brazil
e-mail: saludjian@ie.ufrj.br

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0_5

main economic trends in the French economy. The second discusses the COVID-19 pandemic in the context of instability and unrest in France. A discussion confronting orthodox and heterodox approaches to the main economic and social measures implemented, and the reasons for these, is offered here. Despite the shift in the Macron doctrine observed during the pandemic, the economic and environmental issues still seem to us to be insufficiently taken into account.

Keywords France · COVID-19 · Economic policy · Liberalism · Heterodox economics

5.1 Introduction

The chapter discusses the economic policies that have been implemented in France to respond to the COVID-19 crisis. By examining some emerging contradictions within interventionist policies, we will argue that doctrines about state intervention took a 180-degree turn during the crisis. As will be discussed, the core of these policies can be qualified as centre-right: in that they have aimed to reduce public spending, keep productive capacity (notwithstanding the COVID-19 restrictions) and reduce government intervention.[1] Ultimately, they focused on increasing the country's competitiveness, thus following a sheer supply-side orientation.

Section 5.2 contains an overview of the main economic trends in the French economy. Section 5.3 discusses the COVID-19 pandemic in the context of instability and unrest in France (marked by, for example, protests by the so-called Yellow Vests movement). A discussion of the main economic and social measures implemented, and the reasons for these, is offered here.

Government proposals and reports are discussed (Sect. 5.4) according to the duality that has structured the public debate in France: while one side has been concerned about unemployment, precariousness and

[1] In French, '*une politique économique en même temps de droite et de gauche*' (this can be translated as 'economic policies both right-wing/pro-market and left-wing/progressist').

inequality, the other side has been worried about the ecological and health security issues that emerged during the pandemic.[2]

The chapter highlights the change in economic policy priorities and assesses whether this rupture will lead to a lasting change in doctrine or a return to balanced public finances and increasing liberalisation. The hypothesis used in this work is that there is a continuity in the discourse aimed at maintaining legitimacy *vis-à-vis* the bourgeois bloc and capitalist interests. The COVID-19 recovery policy can be likened to Keynesianism. Despite maintaining a liberal facade, the government is also refocusing on industrial policy and planning, which may indicate a return to a strategic state. The discussion in this chapter considers the general elections that will take place from April 2022.[3]

5.2 French Economic, Political and Social Policies

Before Macron

The year 1983 marked a turning point for austerity in France, only two years after the election of F. Mitterand (the Socialist Party). The government, composed of socialists and three ministers from the French Communist Party, pursued a more expansionist policy when faced with the crisis of the late 1970s/early 1980s (Amable, 2021) and France's post-Second World War developmentalist industrial policies were generally abandoned. Since then, reforms have mostly been attempts at cutting the welfare state and promoting privatisation to gain competitiveness. France's monetary policy targeted the parity of the franc against the German Deutsche Mark. Despite major reforms in the labour market, the race to cut social contributions was lost, except for the oil countershock in the late 1980s and the Juppé reforms in the 1990s: these events, coupled with difficulties around German reunification and the Asian

[2] In French, '*fin du monde contre fin du mois*' (this can be translated as 'end of the world vs. end of the month').

[3] The first round of the presidential elections is scheduled for 10 April 2022 and the second round for 24 April.

crisis,[4] benefited France's competitiveness from 1997 to 2000. Since then, France has returned to a significant trade deficit.

Due to the Eurozone crisis,[5] it was impossible to implement a recovery policy (the German idea of ordoliberalism), and most policies were focused on the supply side. François Hollande, elected president in 2012, followed the supply-side approach from 2013 onwards, which Macron openly made his own after joining the government in 2014.[6]

For three decades, France has engaged in a neoliberal dynamic that has not entirely succeeded in aligning its economy with the Anglo-Saxon model.[7] Despite shifting to a contribution scheme in the pension system, France still keeps funding from contributions in a redistributive fashion. The unemployment benefit system, although less generous than in the past, remains one of the most generous in Europe. Further, the health system is characterised by almost unconditional access to essential care.

Macron's Doctrine

In 2017 the Macron administration initially committed to a policy of fiscal rigour that should allow it to regain credibility with Germany and internal legitimacy. Behind the rhetoric of social liberalism, the vector of economic policy rapidly shifted to more pro-market policies. Macron's supply-side-oriented economic policies quickly turned into trickle-down policies (e.g. wealth tax reform). Supply-enhancing devices that had been implemented by the Hollande administration under the influence of Macron, who served as the Deputy Secretary-General to the President from 2012 until he became Minister of the Economy, Industry and Digital Affairs in 2014, were further reinforced later when Macron took office as President. The general philosophy of Macronian liberalism is that it is better to have

[4] The Asian economic crisis of 1997 had consequences for all developing economies (Russia, Brazil, Turkey, Argentina) but also for more advanced countries (Europe, USA, Japan).

[5] The Eurozone crisis (2009–2012) followed the global financial crisis of 2008.

[6] Macron was Deputy Secretary-General to the President of the Republic (Hollande) from 2012 until he became Minister of the Economy, Industry and Digital Affairs in 2014.

[7] In the Anglo-Saxon model, finance, liberalisation of the economy and short-termism dominate (unlike in the Nordic model, as seen in Scandinavia, or the continental model, such as the German or French model).

a less-protected job than no job at all. This agrees with neo-Keynesian theories of the labour market, which hold that insiders tend to prevent the entry of outsiders, and with neo-Schumpeterian growth theories that focus on the role of innovation.[8]

The reforms introduced by Macron aimed at increasing business competitiveness by reducing labour costs, either by lowering compulsory social contributions for employers or by reducing employee protection. These reforms fit soundly with the neoliberal ideology that holds that the government should step in only to create the best possible environment for business. This issue cannot be tackled at the European level, due to the German electorate not being ready to forsake their own welfare state. France's non-cooperative solution consisted of lowering social protection, reducing social contributions and limiting compulsory levies on companies. It is within this general goal that attempts to transform the labour market with greater 'flexibility' have been pursued.

The Yellow Vests movement, which came to notoriety in November 2018 after leading protests against new regulations on automobile speed limits and the increase in diesel prices, was fuelled by feelings that the state had abandoned people, in the face of a reduction in public services for rural and suburban areas. However, ecological logic collided with social logic here. The resulting 2019 political crisis considerably reduced the dynamics of government reform and led to a change in prime minister in July 2020. The use of excessive force by the police against this movement has been denounced by the UN and has led to strong criticism of the Macron administration about police authoritarianism.[9]

The COVID-19 crisis changed the government's priorities, creating a political legitimacy to relaunch its reforms, which had been blocked by the Yellow Vests movement (notably pensions reform).

[8] See Tirole (1988), Blanchard and Tirole (2021), Aghion et al. (2007), Aghion and Howitt (2008), Aghion (2011), and Cahuc et al. (2014). See also '*cercle de reflexion*', representing 'economic science': https://lecercledeseconomistes.fr/membres/, accessed 23 February 2022.

[9] See https://news.un.org/fr/story/2019/03/1037951 (accessed 24 February 2022) on the risks of the extreme centre (Deneault, 2016) and the risks of fascist drift (Lordon & Friot, 2021).

5.3 The COVID-19 Pandemic: Health, Lockdowns and the Economic Situation

The COVID-19 Pandemic

During the first wave of COVID-19 in March–April 2020, the French government faced extraordinary challenges due to a lack of surgical facemasks. The previous government policy based on reducing health expenditure helped to contribute to this lack. Initially, the government explained that facemasks were not necessary. Soon afterwards, the government stated they were essential, and various countries worldwide had to order them from suppliers in China, where almost all facemask production had been relocated. Respirators, in turn, were also lacking, as well as key ingredients to manufacture COVID-19 tests. The French population had to realise that they depended heavily on the rest of the world, even for such basic drugs like paracetamol, which was no longer manufactured in France. Further essential products such as anaesthetics also had to be ordered from foreign suppliers. On top of these challenges, France was unable to produce a vaccine. Neither Sanofi nor the Pasteur Institute managed to offer an effective product. The loss of French industrial capacity highlighted the need to reconnect with industrial policies.

Other setbacks in the health system were the attempts at 'optimisation' of healthcare that began after the Chirac reforms. The implementation of neoliberal logic resulted in closures of 'ineffective' (small, local) hospitals, an overall reduction of hospital beds, and the reduced availability of medical services. During his television broadcast on 16 March 2020, President Macron explained that he had to confine the population to curb the spread of the virus to avoid overloading intensive care departments in hospitals.[10] The first general lockdown was enforced for March–May 2020. One of the indicators that would subsequently guide government policy was pressure on the healthcare system.

[10] See https://www.elysee.fr/emmanuel-macron/2020/03/16/adresse-aux-francais-covid19, accessed 22 February 2022.

France's Emergency Plan

France's emergency plan was called 'France Relance' ('France Relaunch').[11] It aimed at preserving household purchasing power and supporting businesses by giving households cash allowances and business cash advances. Discussion about environmental concerns was postponed, even though the pandemic was presented as a warning of the need for a change in the economic model to one that took into account environmental concerns.

The government embarked on Keynesian policies. 'France Relance', which cost €470 billion, was put in place very quickly. In a context where monetary policy was still very active with the maintenance of quantitative easing, the figures involved were significant, although proportionately more modest than those initially planned in the United States. 'France

[11] From the start of the pandemic, the French government wanted to show its proactive approach to the crisis in order to mask its loss of control, giving the image of a dynamic, reactive, proactive government, whatever the situation, as promoted by Macron during the campaign leading to his election in 2017. It also wanted to make the public forget its initial mismanagement of the crisis (i.e. the lack of masks). It was a question of limiting social tension in the face of lockdowns by paying for social peace. The emergency measures were quickly interwoven into a broader recovery project, giving the impression that, even when the government had been surprised by the pandemic and the magnitude of its consequences, it was able to come up with not just defensive but also constructive proposals (taking advantage of this to reaffirm its reforms). Many consulting firms (notably McKinsey) were paid by the French government to cover various tasks that the public administration was qualified and paid to carry out (see https://www.lemonde.fr/politique/article/2022/01/19/contrats-avec-les-cabinets-de-conseil-l-executif-promet-de-reduire-de-15-au-moins-les-depenses-en-2022_6110137_823448.html). The first France Relance Recovery Plan was launched in September 2020 (https://minefi.hosting.augure.com/Augure_Minefi/r/ContenuEnLigne/Download?id=97725E6D-ED49-4DA6-92B5-32B05E6959DD&filename=DP%20France%20Relance.pdf) and the second in September 2021 (https://www.gouvernement.fr/sites/default/files/document/document/2021/09/dossier_de_presse_-_1_an_france_relance_-_06092021.pdf?v=1646211661). A review was carried out of this plan, which retained the same name. See a list of the flood of press releases relating to the various parts of the plan here: https://www.economie.gouv.fr/plan-de-relance/presse. This abundance of press releases may seem confusing. It is in line with the government's objective to present itself as being in control of France's economic strategy, even if it is often economics consultancy firms that hold the pen and that are following their own economic strategies and promoting economic policies where these are stakeholders.

Ministère de l'économie et des finances (2020). 'Plan de relance, dossier de presse. Gouvernement français'. See https://www.economie.gouv.fr/files/files/directions_services/plan-de-relance/DP_03_09_2021_France_Relance.pdf, all websites accessed 1 March 2022.

Relance' contributed to deepening France's debt. Fiscal expansion policies to support activity are, in principle, opposed to liberal policies. According to INSEE, unemployment in France was 7.4% in the last quarter of 2021[12] (Pouget & Simon, 2022) and growth was 7%[13] (Pouget & Simon, 2022).

Even if growth was partly due to catch-up effects, it would have been much lower without government support (about 4% budgetary impulse) (Pouget & Simon, 2021).[14] Budgetary policies would have made it possible to return to pre-crisis GDP levels in the 3rd quarter of 2021 (Pouget & Simon, 2021). The fiscal policy, once rejected by Macron, is now back on track. Policies for the future continue to use classic liberal instruments, but what was done during the crisis and what is announced for the election in 2022 is to mobilise Keynesian stimulus instruments, contrary to those previously defended by the government itself.

Despite the chaotic beginning to the COVID-19 crisis, the government gradually learned some lessons from the five waves of the pandemic until December 2021.[15] Facemasks and vaccines eventually arrived, and vaccine uptake in the country has been relatively high, despite early opposition from the anti-vax movement. Implementation of the vaccine pass (described as authoritarian and criticised by some left-wing movements) was a personal victory for Macron. High vaccination uptake in the country made it possible not to impose new lockdowns.[16] The government's generous spending to support companies and employees undoubtedly facilitated support for this policy.

This expenditure led to an increase in public debt. The most significant point of attack from the opposition is the deficit in public finances. One weakness of the policy, however, is its over-reliance on vaccines whose protection does not last for longer than a few months and which do not sufficiently reduce transmissions. A cash allowance was paid at the end of 2021 to 5.8 million low-income households to help them cope

[12] See https://www.insee.fr/fr/statistiques/4805248, accessed 28 February 2022.

[13] See https://www.insee.fr/fr/statistiques/6049133, accessed 28 February 2022.

[14] See https://www.insee.fr/fr/statistiques/fichier/5431514/ndc-octobre-2021.pdf, accessed 28 February 2022.

[15] See https://covidtracker.fr/, accessed 28 February 2022.

[16] More than 80% of the population have had two doses and more than 52% have had three doses (as of 3 March 2022).

with inflation and rising energy prices. By early 2022, the sharp rise in infections linked to the Delta and Omicron variants led to more restrictive measures—but not as strict as the first lockdown—which could have jeopardised the political credit gained by the management of the crisis.

5.4 Rupture or Continuity After COVID-19?

Economic Evaluation of Post-COVID-19 Policies and Strategies

As soon as emergency policies to mitigate the pandemic were put in place, a series of reports on the post-COVID-19 economic guidelines were commissioned by the government. In this section, we contrast the main proposals about purchasing power and environmental concerns contained in orthodox experts' reports against critical commentaries by heterodox economists.

Economists in France can be clustered into an orthodox group (which trusts in market mechanisms) and a heterodox group (which needs political mediation to support the legitimacy of institutions). The polarisation between academy and influence (and lobbying) circles has been growing in France since 2000 after a group of economics students criticised the inability of orthodox economics to deal with real crises and problems (such as unemployment, crises, poverty, etc.).[17] In 2009, a group of heterodox economists ('Les Économistes Atterrés'[18]) emerged in reaction to the state of debate in France and Europe about policies to mitigate the Greek debt crisis (Greece was the first EU country to face debt problems in 2009 and one of the last to solve these problems, in 2012) and the consequences of the 2008 financial crash in southern Europe.[19] This group aimed to intervene in public and political debate. The same year,

[17] See http://www.autisme-economie.org/, accessed 22 February 2022. This movement led to a report being commissioned by the Minister of Education which indicated the importance of pluralism in economics teaching.

[18] In English, 'the appalled economists'. The members are fans of French regulation theory, post-Keynesian economics and other heterodox theories such as neo-Marxism and the institutionalist approach. See Économistes Atterrés (2021).

[19] See https://www.atterres.org/manifesto-english/, accessed 22 February 2022. See also Cordonnier (2010) and Orlean (2015).

the Association Française d'Economie Politique French (French Association for Political Economy, AFEP)[20] was created to defend pluralism in economics teaching. This association of heterodox economists was alarmed by the low recruitment of heterodox teachers in higher education[21] and worried about the consequences of this for the future of critical discussion in economics. In 2015 the AFEP convinced the ministerial authorities of the importance of creating a new section for heterodox economics ('Institutions, Economy, Territory and Society'), giving more space to critical vision. However, the personal intervention of Jean Tirole, recipient of the Bank of Sweden Prize in Economic Sciences in 2014, brought the conversation to a sudden stop. This episode left traces of real animosity between orthodox economists, promoted to experts under Macron, and heterodox economists, who struggle to have their voices heard in public debate.[22] It is therefore not surprising that the reports requested by Macron were received critically in this tense context, and the approaching 2022 presidential election exacerbated this. Les Économistes Atterrés' notes on the official experts' reports will serve as counter-arguments to the orthodox view.[23]

The Mainstream Approach to Economic Challenges in France

'France Relance',[24] launched in September 2020 by Prime Minister Castex, was intended to deal with the COVID-19 pandemic but also to be part of a broader transformation of the economic structure of the

[20] See https://assoeconomiepolitique.org/presentation-2/, accessed 22 February 2022. It had 600 members in 2022.

[21] See http://assoeconomiepolitique.org/wp-content/uploads/NOTE_AFEP_RECRUTEMENT_PR_SEPT_2013_VF.pdf, accessed 22 February 2022.

[22] See Cahuc and Zylberberg (2016).

[23] There are, of course, theoretical differences among groups of orthodox and heterodox economists, but this episode of tension has had the effect of crystallising oppositions. Thus, we consider here that the reports commissioned by Macron represent the mainstream vision and that the critical discussions of the Appalled Economists are a good approximation of the heterodox visions.

[24] See https://www.economie.gouv.fr/plan-de-relance, accessed 24 February 2022.

country until 2030. Over the last two years, a 'green, social and territorial'[25] recovery plan costing €100 billion (one-third of the state budget) has been structured around three priorities (about €33 billion for each): the environment, competitiveness and social cohesion. Social cohesion includes three main issues: the healthcare system, youth employment and partial unemployment compensation.[26] During the presentation of the recovery plan, Castex reminded his audience that France would benefit from €40 billion from the EU-funded recovery plan. OECD (2021) highlights the need for public action to support growth and help citizens of OECD countries. It suggests maintaining government support and incentives through public policies focused on 'monetary flexibility', inexpensive credit and job protection. The report also indicates that a return to normal should ultimately take place via a sequential strategy. According to the report, it is important to take advantage of this crisis to move in the direction of reforms that should not be pushed back.

As for concerns about purchasing power, the Macron administration convened a group of experts around J. Arthuis—former Minister of Economy under Chirac, 1995–1997, and French and European deputy of the right who supported Macron in 2017—to discuss the governance of public policies and the importance of keeping budgetary balances. Arthuis (2021) shares with the OECD a belief in the importance of government support during the COVID-19 crisis through borrowing. The report insists on the exogenous nature of the crisis: orthodox economists generally consider crises as being external phenomena. The report conveys a certain cynicism, implying that the crisis could be useful because it could lead to an in-depth transformation of the governance of public finances in France.

Arthuis's report confirms that a deterioration in the public accounts is closely linked to the costs of social security and pensions. It also highlights that taxes are too high, and that no solution linked to a tax increase can be a long-term solution for the recovery of public finances.

[25] Ministère de l'économie et des finances (2020) 'Plan de relance, dossier de presse. Gouvernement français'. See https://www.economie.gouv.fr/files/files/directions_services/plan-de-relance/DP_03_09_2021_France_Relance.pdf, accessed 1 March 2022.

[26] See: https://www.economie.gouv.fr/files/files/directions_services/plan-de-relance/DP_03_09_2021_France_Relance.pdf?v=1643372205 (pp. 32–41), accessed 07 March 2022.

The report by the Commission of Experts, chaired by Olivier Blanchard and Tirole, was commissioned by Macron in early 2020 (before COVID-19) and its results were presented, in the form of recommendations, in June 2021. They reiterate the importance of having a commission composed entirely of economists without considering other social sciences (Blanchard & Tirole, 2021). The second part of the report concerns inequalities considered from multiple angles (quality of employment in particular), while insisting on the importance of reinforcing equality in terms of human capital. Proposals relating to inheritance tax, vocational training, a better internal organisation of companies and labour market reforms are also discussed. Even though Blanchard and Tirole note that France is not the worst-off country in terms of income inequalities, they point out that not all opportunities have been taken to improve social mobility. The Commission of Experts proposes that priority should be given to improving supply conditions, creating more accessible, high-quality jobs and reducing demand-side support. The report further proposes strengthening equal opportunity law, to implement fairer taxation to redefine the way the state intervenes in job creation, influencing technical progress and redefining trade rules.

The third part relates to demography. The report addresses the increase in life expectancy and the 'fair balance between work and retirement' (Blanchard & Tirole, 2021, p. 17). This has drawn the attention of the committee of experts who worked on the report coordinated by Blanchard and Tirole, and discussions relating to the pension system should take place, to decide whether contributions should be extended or the retirement age increased. Although the report does not reject the current pension reform suggested by Macron, it attempts to amend the reform by making it more transparent and redistributive and allowing for more individual flexibility so that citizens can choose the age at which they wish to retire and the amount of pension they'd like to receive. Like the Arthuis report, the Commission of Experts suggests an independent governance structure to deal with these issues. More broadly, the report considers the issue of older workers and addresses the integration of the immigrant population into the labour market.

It is worth noting the absence of differences with respect to reform proposals made before the COVID-19 crisis in previous reports, and therefore the support for unconditional orthodox policies.

Let us now turn to the environmental topics covered in some of the reports mentioned above. In the 2020 recovery plan for France, a third of the European recovery plan (€9 billion) would be allocated to investment in four priority sectors to make France the leading large carbon-free economy in Europe and making the transition to more environmentally friendly policies (Ministère de l'économie et des finances, 2020). Regarding competitiveness, the plan proposes to take advantage of the COVID-19 crisis; in his speech, Castex recalled the role of caregivers, researchers, businesses and industries during COVID-19.

France Relance is fully consistent with the vision guiding Macron's government before the pandemic. This vision included allocating a very large share of funds to a low-carbon economy by investing in innovation and promoting the transition to a cleaner economy. The OECD discusses in its reports the strategic nature of investing in the green economy, offering support to companies to help them adapt to a digital future. These points are fully compatible with the EU plan, 'France Relance' and the considerations of the Blanchard and Tirole report. The report also discusses the monetary policy of the ECB (European Central Bank). While cheap credit will be prioritised until growth has been consolidated, the norm continues to be a strict, credible monetary policy (OECD, 2021, p. 16). Tax is also discussed in the report. Even though OECD acknowledges the importance of breaking the fiscal balance, a return to fiscal balance is still seen as a necessary and essential feature.

As mentioned, the Arthuis report on public finances does not address environmental issues. This seems to contradict the need to think about public policies during the transition. Finally, the Blanchard–Tirole report notes the climate emergency, which requires robust and rapid action on a large scale, but without increasing production costs. A global approach is needed as carbon pricing is necessary but not sufficient (Blanchard & Tirole, 2021, p. 14). The report highlights that losers under the new carbon pricing proposals must be taken into account. These measures (e.g. applying a carbon adjustment at borders) aim to avoid relocation costs due to environmental reasons. In order to avoid social turmoil (recall that the Yellow Vests movement began after a carbon tax), Blanchard and Tirole propose the creation of two independent (European) bodies to finance high-risk and high-potential research projects. The authors of the report have admitted failing to consider the consequences of COVID-19 in their recommendations.[27] Nevertheless, better trade control and

[27] Blanchard and Tirole (2021, p. 23).

avoiding a fiscal war (avoiding paying taxes and protecting the environment) fiscal and ecological dumping could constitute key steps for the post-pandemic world.

For the mainstream economists who wrote these reports, the discussion of the post-COVID-19 economic outlook remains largely the same as that defended before the pandemic: they regard it as an exogenous shock. This view is different from the critical view of heterodox authors.

The Heterodox Approach to Economic Challenges in France

In the vast majority of cases, the heterodox approach considers that the shock due to the COVID-19 pandemic is endogenous in nature.

In their note concerning 'France Relance', the Appalled Economists acknowledge that the plan is more ambitious than the one drafted after the 2008 global financial crisis, which sought to consolidate public finances guided by German *ordoliberalism*.[28] Although they note that 'on the surface the government has become Keynesian, Colbertist, environmentalist', on the other hand 'liberal reforms and increased corporate profits under the guise of competitiveness' have not been fully abandoned (Sterdyniak, 2020, p. 2). In addition, commenting on the uses of the €100 billion in the plan, they stressed that the key measures had already been decided and that no effective measures either to boost employment or minimise redundancies are indicated in this plan.[29] In their September 2021 note, a group of heterodox economists recognises the importance of the suspension of pension reforms, even if its relevance is reaffirmed by Macron's administration. The Appalled Economists nevertheless criticise the reform of unemployment benefits as well as its hasty implementation in late 2021.

On the third pillar of the Blanchard–Tirole report (on pension reforms), the Appalled Economists indicate that 'the authors fundamentally approve the reform project of Macron and the government of E. Philippe; they propose some adjustments, but these are not likely to make the project collect popular support, since the level of pensions is not guaranteed and the balancing is always done by a sharp fall in pensions' (Harribey et al., 2021, p. 50).

[28] Durand (2013).

[29] Sterdyniak (2020).

Regarding inequalities and taxation, there is a rejection of principle on the part of the committee on public expenditure. The tax hikes are rejected a priori, which is hardly surprising to most liberal authors. The possibility of an increase in taxation for the richest is rejected because it would make too low a contribution to French public finances. The deterrent effect on investment is also mentioned. The control of expenditure is reaffirmed on numerous occasions and constitutes the uncontested dogma.

Thomas Piketty discusses the trajectory of inequality over time and explains that the pandemic tends to increase inequality. He specifically proposes an inheritance tax and an annual capital tax of up to 90%, as well as a more progressive tax within the framework of what the author calls 'ecological and mixed-race decentralised democratic socialism' (Piketty, 2020). As for environmental concerns, the Appalled Economists criticise the approach of both the recovery plan and the Blanchard–Tirole report. As Jean-Marie Harribey notes,[30] the way in which climate is treated shows the limits of the economic approaches, in particular the neoclassical vision, which only stresses the well-known market mechanism and price formation to feedback into this question. This position revolves around the main conclusions of the Paris Agreement, and the main mechanism hinted at is that of supply and demand in the carbon market. Although the Blanchard–Tirole report shares some elements of the IPCC report, Harribey criticises the fact that the report lists consequences other than the unbridled pursuit of economic growth through technical progress and innovation.[31] Moreover, Harribey alludes to a commodification of life for the benefit of strengthening the decision-making power of big business, which undermines the capacity of the people to decide their own fate. If we consider that the COVID-19 crisis is due to a zoonosis that is itself the result of the increasing artificialisation of natural environments imposed by the profitability requirements of large firms, it seems undesirable to give them so much latitude (Tordjman, 2021). As well as technical innovations, social innovations should also be considered. Benjamin Coriat, also a member of the Appalled Economists, considers the COVID-19 crisis an endogenous result of the financialised capitalist accumulation regime (Coriat, 2021). He develops a defence of the Commons to reshape

[30] Harribey et al., 2021, p. 6.)

[31] Harribey et al. (2021, pp. 6, 7, 11).

capitalist private property. This radical vision of the Commons led the author to specify in his 2021 book how his vision radically differs from that of Tirole (2016). In Coriat (2021) the question of the citizens' committee on climate as an alternative deliberative and democratic path (Polycentric governance) is discussed, although in a limited fashion.

It is worth noting that the articulation between the three pillars of the Blanchard–Tirole report and the new post-COVID-19 poses a problem.[32]

Robert Boyer's call to replace the capitalist system by a system based on education, health and nature may remain wishful thinking, as noted by the author himself.[33] He readily recognises the difficulty of setting up such a regime, as well as of finding the political actors to put it in place. On the other hand, he insists that the handling of the current regime relies heavily on the strengthening of its inegalitarian features and the risk it poses to nature. As for the political and social forces at work, Boyer mentions the work of Bruno Amable, to show that a rupture is unlikely to take place and that a new consensus that articulates labour and respect for the environment must be sought.[34] To achieve this, the author proposes re-embedding the economy in a reformist approach.

Opposing the vision put forward by Blanchard and Tirole on the exogeneous nature of the COVID-19 crisis, Frederic Lordon[35] considers it a by-product of the capitalist system. Capitalism, in order to survive, needs to continually extend its area of influence and its capacity to produce value. Lordon and Friot believe that reforms on the fringes of capitalism would not be enough to allow escape from this infernal spiral. They therefore suggest leaving capitalism by abolishing the lucrative property of the means of production and abolishing the financial sphere. These radical transformations would lead the economy towards a form of communism. In this context, the financing of production would be achieved through democratically managed investment funds. Labour would be organised on a cooperative basis (Lordon & Friot, 2021). These authors propose workers taking control of companies, that retirement

[32] Harribey et al. (2021, p. 11).

[33] Boyer (2020) and Durand (2021).

[34] Amable (2021) analyses the political forces present in France since 1980. He describes Macron's economic policy as a Right 2.0 policy, consolidating the bourgeois bloc and denouncing the authoritarian drift, in particular against the Yellow Vests.

[35] Also a member of the Appalled Economists, Lordon is more radical in his critique of capitalism.

should be at 50, and that pensions should be a minimum of €2,500 per month (a 60% increase on the minimum wage of €1540 per month). They believe in the democratic functioning of production based on a free understanding of producers. The principles behind the creation of social security in 1946 would be extended to the entire productive sphere.

More radically, Husson (2020)[36] indicated that this recovery plan was too cautious, poorly thought out and that it did not consider the inequalities of those facing the effects of the pandemic, both on the demand side and the supply side. In addition, Husson was not convinced that the recovery plan could provide an adequate response to the French economy's problems, address inequalities, and face climate issues without abandoning the neoliberal model. He also criticised its excessive reliance on financial markets. The solutions to these issues should be the result of political choices and environmental planning that facilitates a transition to an economy that is more respectful of the environment.

The reports continues along the same lines: flexibilisation of the labour market, vocational training, support for innovation, etc. Criticisms remain. They were presented by the Appalled Economists and the AFEP. Even before the first lockdown, Macron had wanted to reassure the French: 'What this pandemic has revealed is that there are goods and services that must be placed outside the laws of the market.'[37] During the pandemic, support plans were announced that marked a change from Macron's initial vision.[38] One-off measures (vouchers) have been implemented, but nothing structural has changed (for example, there has been no increase in the minimum wage).

Thus, in the face of COVID-19, Macron's protective discourse stumbles against the liberal philosophy that guided Macron's action. In the context of the presidential campaign, his political strategy can be perceived as pragmatic.

[36] Also a member of the Appalled Economists. His sudden death in 2021 saddens us. We would like to pay tribute to him here.

[37] See https://www.elysee.fr/emmanuel-macron/2020/03/12/adresse-aux-francais, accessed 24 February 2022.

[38] See https://www.gouvernement.fr/sites/default/files/contenu/piece-jointe/2021/12/reconquete_de_lappareil_productif_-la_bataille_du_commerce_exterieur_.pdf, accessed 24 February 2022.

5.5 Concluding Remarks

The COVID-19 crisis forced a change in the French government's actions and economic policy. From limiting public spending on social protection, France has moved to a broad subsidised economy. The objective of reducing public debt has temporarily been abandoned, to preserve household and corporate incomes. These measures are presented as supply-side policies but, because of income support that has also been put in place, they can be associated with Keynesian policy. This doctrine is far removed from the neoliberal logic initially preferred by the government. When the 'whatever it takes' approach was abandoned in summer 2021, measures to support the healthcare system were presented as permanent by President Macron. Spending caps on the healthcare system thus appear to have been abandoned. But, and this is a big 'but', there is still a desire to rapidly restore the balance of public accounts. In a context where increasing compulsory levies remains taboo, it will be difficult to meet all the objectives simultaneously. COVID-19 has therefore imposed a clear shift in the policy followed by the government, although the liberal rhetoric has remained. This dissonance can be seen as the expression of a certain pragmatism in the face of a particularly unstable environment. As a result of increasing deficits, large-scale neoliberal reforms of the social protection system could be justified, as both the pension and health insurance reform projects suggest. As the saying goes, *reculer pour mieux sauter*: a timely withdrawal can improve the next jump.

The debates among economists have focused on the nature of the crisis, whether it is endogenous or exogenous, and how to deal with it. Overall, mainstream economists tend to play down the crisis by considering it as exogenous to the functioning of capitalism. From this point of view, there is no need for a major transformation; some innovation, the introduction of carbon markets and other market incentives should make it possible to weather this bad period, even if this means supporting low-income households to limit the social consequences of the rise in energy costs (see Sect. "The COVID-19 Pandemic"). On the other hand, the more pessimistic heterodox economists suggest that more radical choices are necessary to limit the negative impact of climate change (see Sect. "France's Emergency Plan"). They have little faith in the ability of markets to take risks at a sufficient level for the transformations required, so they suggest transition planning and social innovations that put human needs ahead of profit.

References

Aghion, P., & Howitt, P. W. (2008). *The economics of growth*. MIT press.

Aghion, P., Cette, G., Cohen, É., & Pisani-Ferry, J. (2007). *Les leviers de la croissance française*. La Documentation française.

Aghion, P. (2011). *Crise et croissance : Une stratégie pour la France*. La Documentation française.

Amable, B. (2021). *La résistible ascension du néolibéralisme: Modernisation capitaliste et crise politique en France (1980–2020)*. La Découverte.

Arthuis, J., & Coord. (2021). *Nos finances publiques post-Covid-19: Pour de nouvelles règles du jeu*. Commission pour l'avenir des finances publiques. https://www.gouvernement.fr/sites/default/files/document/document/2021/03/rapport_-_commission_sur_lavenir_des_finances_publiques.pdf

Blanchard, O., & Tirole, J. (2021). *Les grands défis économiques*. Rapport de la Commission internationale présidée par Olivier Blanchard et Jean Tirole. https://www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/fs-2021-rapport-les_grands_defis_economiques-juin_0.pdf

Boyer, R. (2020). *Les capitalismes à l'épreuve de la pandémie*. La Découverte.

Cahuc, P., Carcillo, S., & Zylberberg, A. (2014). *Labor economics*. MIT press.

Cahuc, P., & Zylberberg, A. (2016). *Le Négationnisme économique et comment s' en débarrasser?* (p. 240). Flammarion.

Cohen, E., Aghion, P., & Cette, G. (2014). *Changer de modèle*. Odile Jacob.

Cordonnier, L. (2010). *L'économie des Toambapiks : Une fable qui n'a rien d'une fiction*. Raisons d'agir.

Coriat, B. (2021). *Le bien commun, le climat et le marché : Réponse à Jean Tirole*. Éditions Les Liens qui libèrent.

Deneault, A. (2016). *Politiques de l'extrême centre*. Lux éditeur.

Durand, C. (2013). *En finir avec l'Europe*. La Fabrique Éditions; Cairn.info. https://www.cairn.info/en-finir-avec-l-europe--9782358720489.htm

Durand, C. (2021). *Quand l'histoire économique nous mord la nuque* (p. 12). Revue de la régulation, 30| 1er semestre/spring 2021.

European Union. (2020). *NextGenerationUE, make it real*. https://europa.eu/next-generation-eu/index_en

Économistes Atterrés (Les). (2021). *De quoi avons-nous vraiment besoin?* Les liens qui libèrent.

France Relance. (2021). *Solutions industries du futur*, https://www.conseil-national-industrie.gouv.fr/files_cni/files/csf/industrie-du-futur/dossier_de_presse_structuration_d_une_nouvelle_filiere_des_solutions_pour_l_industrie_du_futur.pdf

Harribey, J. -M., Rotillon, G., & Sterdyniak, H. (2021). *Réponses au rapport Blanchard Tirole [Associatif]: D'autres politiques économiques sont possibles*. https://www.atterres.org/wp-content/uploads/2021/09/Note-EA-Rapport-Blanchard-Tirole-2021..pdf

Husson, M. (2020). *Ceci n'est pas un plan. Alternatives économiques*. https://www.alternatives-economiques.fr/france-relance-ceci-nest-un-plan/00093784
Lordon, F., & Friot, B. (2021). *En travail, conversations sur le communisme*. La Dispute.
Ministère de l'économie et des finances. (2020). *Plan de relance, dossier de presse*. Gouvernment français. https://www.economie.gouv.fr/files/files/directions_services/plan-de-relance/DP_03_09_2021_France_Relance.pdf
OECD. (2021). *OECD Economic Outlook, Interim Report March 2021.* https://www.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2020/issue-2_34bfd999-en
Orlean, A. (2015). *À quoi servent les économistes s' ils disent tous la même chose?: Manifeste pour une économie pluraliste*. Éditions Les Liens qui libèrent.
Piketty, T. (2020). *Vivement le socialisme!: Chroniques 2016–2020*. Seuil.
Pouget J., & Simon, O. (2021). *Après l'épreuve , une reprise rapide mais déjà sous tensions* [Note de conjoncture]. Insee.
Pouget J., & Simon, O. (2022). *Point de Conjoncture du 8 Février 2022.* [Note de conjoncture]. Insee. https://www.insee.fr/fr/statistiques/6049133, Accessed on 28 February 2022.
Sterdyniak, H. (2020). *Quel plan pour quelle relance*? https://www.atterres.org/
Tirole, J. (1988). *Théorie de l'Organisation Industrielle*, 2 tomes. Eds Economica.
Tirole, J. (2016). *Économie du bien commun*. Presses universitaires de France.
Tordjman, H. (2021). *La croissance verte contre la nature*. La Découverte.

CHAPTER 6

COVID-19 and Russia

Maxim Markov and Denis Melnik

Abstract Russia was hit hard by the pandemic. However, its economic consequences were milder and recovery came faster than initially expected. Several factors (briefly outlined in the chapter) contributed to this. One of them was of an existential nature. Russia unwillingly happened to be well equipped to face the global disruption of economic ties and COVID-related restrictions. A series of deep external shocks that regularly hit Russia's newly established market economy since the default and devaluation of 1998 made the elite suspectable of unconditional embracing global finance. This sentiment translated into amassing international reserves and a drastic reduction of the international debt of the Russian state since the early 2000s. The pandemic did not change the trend, in fact the accumulation of reserves continued despite the

M. Markov
Saint Peterburg State University, Saint Peterburg, Russia
e-mail: m.markov@spbu.ru

D. Melnik (✉)
HSE University, Moscow, Russia
e-mail: dmelnik@hse.ru

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0_6

calls to resort to them for the implementation of social relief policies. On the other hand, the combined effect of the devaluations, the impact of the Great Recession and the sanctions imposed on Russia since 2014 had induced import substitution and the adjustment of domestic production and consumption before the arrival of COVID that disrupted international trade. COVID crises did not generate any new trend in Russia's economic profession. Rather, it reinforced the economic policy approaches emerged in the late 1980s and 1990s. In the chapter, we delineated four such approaches which express the attitudes of different elements among the Russian establishment. It seems plausible in retrospect that the pandemic triggered the recombination in the establishment. We presume that with the pandemic becoming the history, the future of Russian political and economic system will be defined by the eventual balance of forces resulting of this recombination. If so, the description of four approaches is the main result obtained in this chapter.

Keywords Russia · COVID-19 · Economic policy · Russian economic profession

6.1 Introduction

In this chapter we try to answer the question, is the COVID-19 pandemic a ground-breaking event in the history of Russian economic science and economic policy? In Sect. 6.2 we present a brief overview of COVID-19 and related policies in Russia. Section 6.3 presents Russia's economic situation before and during the pandemic. In Sect. 6.4 we try to trace the origins of the ideological and theoretical divisions in the economic profession and overview the approaches that are relevant (actually or potentially) to policy-making. With this aim we compare two pairs of opposites: moderate ('in-system') liberals vs. moderate proponents of state dirigisme (the post-Soviet academic establishment) and radical ('outside-the-system') liberals vs. radical dirigistes ('ultra-conservatives'). Section 6.5 concludes.

6.2 The Spread of COVID-19, and the Restrictions Brought In

The spread of COVID-19 in Russia began later than that in Europe. Russia has a long land border with China: on 31 January 2020, officials reported two Chinese nationals in Siberia who were quarantined. Those two cases were announced as isolated. Russia's officially reported 'patient zero' arrived from Italy on 27 January (infection was confirmed on 2 March). Transmission in the initial stage was via travellers from Italy, France and other European countries. The Moscow region, Russia's economic hub, became the locus of the virus. The first death was recorded on 19 March.

The lag in the arrival of COVID-19 in Russia gave the government time to evaluate the measures adopted in other parts of the world. In February 2020 the government deliberated over which measures to adopt, while cases of COVID-19 were still relatively low. In the meantime, opinions and comments by politicians, officials and experts of various kinds contributed to the growing suspense. In the coming months the importance of the internet and social media as the main platform for influencing and channelling opinions and attitudes would only increase.

In mid-March a series of restrictions marked the first wave of COVID-19 in Russia. Schools and universities moved to online learning; all cultural events were cancelled, and a travel ban was imposed on all foreign citizens. Further, on 25 March in an address to the nation President Putin imposed a one-week regime of 'non-working days', the measure that stopped short of a full lockdown, effective from 30 March (the regime was later extended until 8 May). It was an unprecedented step, given that the term 'non-working days' was absent from all labour legislation. In addition, he announced that workers should be paid their salary for these days. This was the major element in the government's social support policy at this stage, and it led to a lot of confusion regarding its implementation. Eventually, the continued payment of salaries was carried out mostly by the state sector and by large private enterprises, while many small and medium-size businesses sought various ways to avoid it. Yet the government evidently regarded that ad hoc legislative invention as an effective measure, and the regimes of 'non-working days' were reimposed on four other occasions in 2020–2021 (for shorter periods, though). However, the government expanded its COVID-19-related social package.

Another unconventional decision adopted at the same time delegated the authority to put in force anti-COVID-19 restrictions on a regional level. Constitutionally, Russia is a federation. Since the early years of the Putin administration, its critics have maintained that Russia's federative status has been restricted. For about two decades the Kremlin indeed tightened its control over regional politics. With COVID-19, however, this trend changed. A nationwide lockdown was never announced. The critics indicated that this decision was a PR action aimed at diverting public discontent over the restrictions away from the Putin administration, while the official explanation was that Russia was too big and diverse to set a unified anti-COVID-19 policy. At any rate, this decision was far from being a mere formality; at some point during the first wave, all regions of the federation imposed restrictions.

The strictest lockdown measures were enforced in Moscow. They included the shutting of shopping malls, schools, cultural institutions, etc., the introduction of digital passes to allow people to walk or travel across the city beyond their area of residence, and self-isolation (de facto lockdown).[1] However, Russia is not called a 'disordered police state' (Wakefield, 2006) without reason.

Russia's concentration of decision-making at the top level and its highly hierarchical power system is compensated for by lax administration at the middle and lower levels and a weak judicial system, which translates into a general inability to guarantee consistency in the enforcement of legislative norms. Decision-makers are often quite sensitive about policies that could cause a backlash among the majority of the population. The pandemic was no exception. By the end of spring 2020, the government faced a dilemma. The number of infections was still high, but signs of discontent over the restriction measures (on top of discontent over the economic situation) were also growing.

According to the Oxford COVID-19 Government Response Tracker[2] the restrictions imposed in Russia in spring 2020 conformed to those in Western countries, and sometimes even exceeded these. However, the Yandex self-isolation index (the Russian version of Google Mobility

[1] Over this period, there was an attempt to introduce a brand-new official narrative that avoided calling restrictive measures by their name, and instead maintained that 'social disconnection' was the best way to prevent the spread of the virus.

[2] https://www.bsg.ox.ac.uk/research/research-projects/covid-19-government-response-tracker, accessed 3 March 2022.

Trends) indicated that, while residents of Russian cities mostly complied with the requirements of self-isolation in late March and early April 2020, by May traffic in the cities had increased.[3] To enforce the restrictions, stricter policing was necessary—and this was required by the logic of the adopted official narrative on 'social disconnection' as the principal means to combat the virus. Eventually, however, after a period of ambiguous statements and actions, the government began to find ways out of the restrictions. On 1 June in Moscow, after nine weeks of the self-isolation regime, the authorities introduced a 'walking schedule', which was a complicated way of allowing apartment-dwellers to take walks three times a week. This was generally ignored; after just a few days, most restrictions were lifted. During subsequent waves of COVID-19 some restrictions were reimposed, but to this day (March 2022), spring 2020 remains the most severe lockdown period in Moscow, and in some other regions that implemented the rigorous lockdown introduced in the capital.

6.3 Russia's Economy Before and During the Initial Stage of the Pandemic

The macroeconomic consequences of the initial stage of the pandemic were relatively mild. In 2020, Russia's GDP had decreased by 2.95%[4] and real disposable income by 2%.[5] Government policies (including macroeconomic measures, but also the relatively soft lockdown) contributed to that.

Russia's economy demonstrated remarkable growth in the 2000s, with average annual growth rate of 6.9% from 1999 to 2008. A series of shocks changed this trend. During 2016–2019, the average annual growth rate was less than 1.7%. The impact of the global Great Recession was reinforced by a sharp deterioration in relations between Russia and the West. Sanctions imposed in 2014 in response to the Ukrainian crisis severely undermined the Russian financial system's access to foreign capitals, as well as to key imports for Russian industries and services. The Russian

[3] https://yandex.ru/company/researches/2020/podomam, accessed 3 March 2022.

[4] https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=RU, accessed 4 March 2022.

[5] https://rosstat.gov.ru/storage/mediabank/urov_12kv_nm.xlsx, accessed 4 March 2022.

government responded to these sanctions with a set of 'counter-sanctions' that cut off the import of selected items (mainly food and agricultural products from the West).

Back in 2014–2015, the official government position was that sanctions provided opportunities to diversify the economy. While the combination of political restrictions and a series of devaluations of the rouble has indeed contributed to import substitution in some sectors, the overall structure of Russia's economy has not changed significantly over the past decade. Export of energy and raw materials comprises the lion's share of commodity exports. In 2019, oil and natural gas accounted for 60% of total export revenues and 24% of consolidated budget (the total of the federal and regional budgets) revenue.[6] At the same time, an accumulation of 'resource rents' allowed the government to amass substantial international reserves (USD 549.8 billion by the end of 2019[7]).

The first negative effects of the coming crisis had preceded the coming of the pandemic to Russia. They were felt through export prices. In the case of oil, the price fall was triggered by a decline in China's demand and further aggravated by a lack of coordination among major exporters, as exemplified by disagreements between Russia and Saudi Arabia. The price of futures for Brent oil, which was US$68.64 per barrel on January 2020, fell sharply in the first four months of the year and reached a low in late April, amounting to US$19.93. By the end of 2020, however, oil prices had bounced back from that fall and had reached US$51.49. The price of other exported raw materials generally followed this pattern.

Overall, additional government expenditure in Russia in 2020 relating to COVID accounted for 2.9% of GDP.[8]

6.4 Russia's Economic Profession and COVID-19

The Situation in the Economic Profession

Russia's economic profession is still marked by the strong institutional imprint of its Soviet legacy. Since the industrialisation of the 1930s, social studies were considered part of the mass production system, to ensure

[6] https://minfin.gov.ru/ru/statistics/fedbud/, accessed 4 March 2022.

[7] https://www.cbr.ru/hd_base/mrrf/mrrf_7d/, accessed 4 March 2022.

[8] https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19, accessed 3 March 2022.

the inflow of specialists into its various sectors. In addition, social studies was seen as having an ideological function: to maintain and disseminate Marxist–Leninist dogma. The extensive institutional structure of Soviet economic science allowed for the expansion of the economic profession from the 1950s to 1980s.

During the perestroika years, the Soviet economic profession held influential position. Economists were involved in public debates and contributed to policy proposals and projects around economic reform. Prominent representatives of the profession from the Academy of Sciences were promoted to high positions in the Soviet government under Mikhail Gorbachev. By 1990–1991, with the easing of censorship by the authorities, the rigid Marxist–Leninist narrative of the previous decades had been abandoned, but most economists were genuinely seeking to improve the socialist system (e.g. by transforming the planned economy into a 'market socialism'). At the late-1980s, however, a group of economists emerged who promoted the prompt transformation of the existing system into a fully fledged 'market economy', in line with the ideas of Western liberal economists such as Friedrich Hayek and Milton Friedman and taking advantage of the reforms launched at that time in several countries of the collapsing Soviet bloc.[9] Soon other economists (mainly junior researchers and faculty) dissatisfied with perestroika policies and the planned economy had gravitated towards this group. The group eventually coalesced in a circle around Boris Yeltsin, who in 1990 was the Chairman of the parliament of the Russian Soviet Federative Socialist Republic (the RSFSR, one of the republics that constituted the Soviet Union) and in June 1991 was elected to the newly established position of the President of the RSFSR. Yeltsin was a popular opponent to Gorbachev, but his actual political leverage was shaky. Political turmoil resulted in the break-up of the Soviet Union by the end of 1991. With its official dissolution on 26 December 1991 Yeltsin gained real power over the country, now called the Russian Federation. Few days later the proponents of liberal economics, led by

[9] Apart from the theoretical considerations of liberal economists, many people in the community of market reformers in Central and Eastern Europe were inspired by Augusto Pinochet's Chile. Latin America continued to provide success stories of political and economic transformation throughout the 1990s. In 1998, at the height of the financial crisis, Domingo Cavallo—the Argentine Minister of Economy from 1991–1996, who was credited with curbing inflation—was invited to Moscow for talks with the government. Ironically, just three years after this, Cavallo's name was associated with the Argentine financial crash of 2001.

Yegor Gaidar (who became acting Russia's Prime Minister in 1992) launched market reforms as a form of 'shock therapy'. Ideological and institutional breaches that emerged at that time still remain, and are traceable in reactions to COVID-19 30 years past.

In the 1990s, many economists did not embrace the reforms. While Marxist political economy lost its appeal, market stimuli transformed economic curricula along Western guidelines, thus increasing the demand for degrees in economics. The profession was in search of paradigms and discourses. According to a 2016 survey, many Russian economists tended to dissociate themselves from the mainstream: the most popular approaches among respondents were institutionalism (36.3%), Keynesianism (14.5%) and Marxism (10.6%) (Maltsev, 2016).

Yet the pattern of Soviet mass production persisted. In 2019, 521 Ph.D. degrees in economics were conferred (Gokhberg et al., 2021). But most important in this regard is the paper trail of economists' professional activity. In recent decades, the Russian government (like many other governments) resorted to quantitative metrics to assess the efficiency of funding educational and research institutions. In addition, grant financing schemes became more important. The profession responded with a huge increase in publications.

Reactions to the Crisis in Theoretical and Empirical Studies

To analyse reactions to the pandemic in the academic literature we searched the Russian Citation Index using the key words 'coronavirus', 'pandemic' and 'COVID-19'. We searched from March 2020 to July 2021. The results were striking: several thousand publications were recorded. However, a closer look at a sample of those publications revealed that many of them contained no substantial results and/or were only tangentially related to pandemic-related issues Therefore, the bibliometric search was narrowed to the top ten Russian economics journals, according to the Russian Citation Index. The search revealed 90 publications. Most publications were a continuation of previous studies and claimed that the pandemic 'exacerbated' or 'revealed' pre-existing problems. In addition, many publications described the course of the pandemic and measures taken in Russia and elsewhere, as well as indicated at possible trends in economic development due to the pandemic (see, e.g. Grigoryev et al., 2020; Klepach, 2020; Polbin et al., 2020; Shirov, 2021).

Empirical analyses were numerous at that stage. Given the prominence of mathematical education in Russia, COVID-related mathematical models and projections abounded from the early days. Previously, such tasks had been carried out by special institutions and rarely attracted popular attention. For example, the Gamaleya National Center for Epidemiology and Microbiology set up a laboratory of epidemiological cybernetics in the 1960s (Boev, 2005). In spring 2020, mathematical models relating to the pandemic flooded social media. Another use of these methods was attempts to assess COVID-related medical statistics. In that context, on the other hand, medical statistics, especially connected to estimations of COVID-19 mortality rates, became the subject of heated public debate.[10]

Debates in professional networks began later than those on social media. The shock of the pandemic led to the creation of special analytical units in both regional governments and big companies. One group of researchers from the Central Economic Mathematical Institute of the Russian Academy of Sciences proposed an agent-based model to analyse the relationship between quarantine measures and pressure on the health system (Makarov et al., 2020); a model to assess the economic impact of the quarantine was developed by the Institute of Economic Forecasting of the Russian Academy of Sciences (Ksenofontov, 2020).

By mid-2020, research and educational institutions began to coalesce empirical studies and analyses. HSE University, one of Russia's top universities, launched a series of analytical bulletins (ten issues were published from May to July[11]) and several analytical reports were presented (see e.g. Institut ekonomiki, 2020).

Policy Proposals

Policy-oriented research and proposals constituted the most significant part of contributions made by Russian economists in the context of the pandemic. The relevance and impact of policy implications are usually

[10] Some social media threads led to rigorous academic studies. This was the case in Karlinsky and Kobak (2021), which was preceded by comments and posts on the measurement of mortality rates by Dmitry Kobak, a mathematician from St. Petersburg University, on social media.

[11] https://www.hse.ru/corona/issues#pagetop, accessed 3 March 2022.

defined by the influence of those who advance them. Below we review the positions of four influential groups that have come to the fore in economics in Russia since the 1990s.[12]

'In-System Liberals'

The core of the 'in-system liberal' group comprises those who belonged to the group of liberal economists before the market reforms of 1991–92. This group's position is the most vulnerable to public opinion. It is criticised both for its involvement in 'shock therapy' by those who did not accept the market reforms, and for its involvement into the Putin administration by opponents from across the ideological spectrum. The group still represents the liberal part of the establishment. It is associated with several important universities and think tanks, well represented in the media, and for the past three decades has almost without interruption run the 'economic bloc' of the government—the Central Bank of the Russian Federation, the Ministry of Finance and other economic departments.

The group was born out of deliberations on economic policy issues. The theoretical elements initially adopted by its representatives from Western economics were mostly used for ideological legitimation of the fast-track market transformation of the planned economy. Yet members of the group largely agree on policy issues. Their openness to non-liberal forms of implementation of pro-market policies stems from a fascination with Pinochet-style reforms and from an understanding of the fragility of market institutions amid resentment on the part of the elites and a significant part of the electorate. The group's policy agenda largely continues to adhere to the Washington Consensus: privatisation, fiscal balance, monetary stability, a shift in public investment towards human capital.

An authoritative voice in this group is Vladimir Mau, an advisor to the Gaidar government and the current Rector of the Russian Presidential Academy of National Economy and Public Administration. He regularly publishes annual reviews of national and global trends in the leading Russian economic journal *Voprosy Ekonomiki*. A review published in March 2020 contained one of the first mentions of COVID-19 in

[12] We do not claim that this grouping characterises the profession in its entirety, but we believe it is representative in relation to the pandemic. We do not discuss economists whose impact is confined to a niche audience or whose influence in the establishment is insubstantial or non-existent.

Russian academic literature. Mau predicted a major economic crisis: 'What could be the trigger to the crisis? In 2019, the main risks were seen in trade wars or geopolitical problems (the risk of a big war), but in 2020, the impact of the Chinese coronavirus (COVID-19) on the global economy, primarily on the global demand and on the situation on the markets of primary materials, came into focus' (Mau, 2020, p. 15). One year after this, COVID-19 was the main subject of his 2021 review. Following President Emmanuel Macron of France, President of Germany Frank-Walter Steinmeier, and other politicians, Mau introduced analogies of the then current situation with the war time period and outlined an existential choice between 'saving the economy or human lives, infrastructure or institutions' (Mau, 2021, p. 7). He outlined the challenges posed by the pandemic (digitalisation, reorganisation of the economy's productive structure, re-evaluation of the effectiveness of the health service and education systems), and distinguished between the short- and long-term effects of the monetary and fiscal policies adopted to combat the crisis. Mau emphatically warned of the potentially hazardous long-term effects of massive anti-crisis spending: both macroeconomic (an increase in public debt and inflationary pressure) and structural (maintaining firms that refuse to modernise). Against this background, he concluded that 'the restrained fiscal policy of the Russian government' was 'quite effective, especially in comparison with most other developed countries' (Mau, 2021, p. 17).

Another renowned economist in this group is Alexander Auzan, Dean of the Economic Faculty at Moscow State University. His research focuses on institutions, reflecting the turn to the institutional underpinnings of the market system that has emerged in studies of transition economies since the late 1990s. Among the institutional effects of the pandemic, Auzan (2021) recognised changes in demand for, and supply of, institutions on political markets. On the demand side, the pandemic-induced shift might lead to a decrease in 'the priority of freedom, with a possible increase in the priority of justice and the efficiency of the state' (p. 205). On the supply side, he has distinguished three models that originated 'under different survival strategies and due to changes in asset prices' (pp. 205–206): (a) the Chinese model: a totalitarian contract, with personal data appropriated by the state (this model 'creates insufficient incentives for internal innovation activity and, in addition, requires certain cultural and ideological prerequisites that cannot be called universal'); (b) the Swedish model, which 'offers a welfare state based upon combined priorities of freedom and justice, counting on the responsible behaviour of a self-organised population'; and (c) the digital model, which is based on 'the formation of digital ecosystems, quasi-states that provide more credible commitments than ordinary state institutions'. This clearly reflects the 'European choice' of Russian liberals to the detriment of the 'Chinese way', while implicitly rejecting the 'Swedish way',[13] as Russia lacks the necessary institutional structure and social cohesion to follow this plan. In addition, it sees digitalisation as an opportunity to enhance civil society and potentially transform the political system in Russia.

Post-Soviet Academic Establishment

The collapse of the Soviet system undermined the position of the once powerful Academy of Sciences—the centralised hierarchical structure that oversaw hundreds of research institutions all over the Soviet Union. The Academy was hit by severe financial cuts and a 'brain drain' to the West and private companies. Yet its institutional structure remained largely intact.

Academic economists who oversaw Soviet economic research and rallied behind Gorbachev lost their influence after 1991 and were replaced by liberal reformers, but their positions in the Academy remained largely unaltered. The academic establishment extended its presence in the university system (during the Soviet period, research and educational activities were institutionally separated). For example, in 2005, with Gorbachev present, former US president George Bush Sr. met with academic economists at the Moscow School of Economics, a newly founded faculty of Moscow State University headed by a full member of the Academy of Sciences, Alexander Nekipelov.

Abel Aganbegyan, a full member of the Academy of Sciences since 1974 and former advisor to Gorbachev, is one of the patriarchs of Russian economics. From 1989 to 2002, he was Rector of the Academy of National Economy (his successor was Mau). In the first months of the pandemic, Aganbegyan (2020a, b) published articles arguing that the economic crisis caused by COVID-19 would also generate a recovery mechanism due to the huge mobilisation of resources by governments.

[13] It should be noted that references to the 'Swedish way' or 'Swedish socialism' became popular during perestroika as an indication of the feasibility of the 'third way' between the rigid planned system and the deregulated markets to be followed by the Soviet economy. A belief in its feasibility remains characteristic of the post-Soviet academic establishment.

In 2021, when the recession ended and economic growth resumed in Russia, Aganbegyan (2021, p. 134) warned of the temporary nature of the recovery, emphasising that it would return to the pre-pandemic stagnant trajectory: 'It is much more difficult to get out of stagnation than out of a crisis, since, unlike a crisis, there is no built-in recovery mechanism within stagnation'. The main means to overcome stagnation should be a robust industrial policy.

Nekipelov belongs to a younger generation of the academic establishment. He became a full member of the Academy of Sciences in 1997 and was Vice-President of the Academy of Sciences in 2001–2013. Nekipelov (2020) proposed an anti-crisis package that included a drastic increase in spending using accumulated reserves, as well as an increase in domestic public debt to finance the budget deficit. He proposed that this fiscal policy be partially funded by the Central Bank, while dismantling existing mechanisms for restricting the money supply and forcing a drop in the interest rate to 2–3%. Nekipelov also suggested that inflation targeting should cease to be the primary goal of the Central Bank and insisted that the inflation rate should be kept at a level that was compatible with solutions to short- and long-term economic problems.

The current proposals to fight the COVID-19 crisis suggested that the group remains attached to the idea of a 'third way' between socialism and capitalism dated back to the 1980s, and agrees with economic policies not dissimilar to the agenda of post-Second World War European social democracy.

'Outside-The-System Liberals'

This group represents a generation of Russian economists with little or no Soviet academic backgrounds, many of whom have degrees from Western universities instead. The institutional centre of this group is the New Economic School (NES), a private university founded in Moscow in 1992 that maintains strong ties with the Western academic community through a network of alumni and professors. The group reached its peak of political influence during the presidency of Dmitry Medvedev (2008–2012). In 2009 Barack Obama delivered remarks at an NES graduation ceremony in Moscow. During Putin's third term, however, its presence in the political establishment waned.

'Outside-the-system liberals' are supporters of both political and economic liberal institutions, which makes them popular in business-oriented media. According to international citation indexes, the group includes the most cited Russian economists, as the bulk of their academic papers are published in international journals. Two representative figures in this group are Sergei Guriev[14] and Konstantin Sonin.[15]

In March 2020 Guriev (2020a) published a column in one of Russia's leading business newspapers. He presented a theoretical substantiation to his policy proposals based on the proposition that human life is an asset that has an economic price. Guriev referred to estimations made by Liugi Zingales of the University of Chicago Booth School of Business. Zingales (2020) introduced a cost–benefit analysis as a way to resolve the dilemma between human lives and economic losses. He extrapolated early projections of the COVID-19-related death rate on the US population to multiply the potential losses by the value of a statistical life.[16] Comparing the estimated economic losses against the USA's GDP, Zingales calculated that 'the United States should be willing to stop production for periods ranging from 4.6 months to 3 years'. He blamed vested (business) interests for the soft approach to lockdowns taken by most Western countries. Guriev (2020a), in turn, using his own estimates for the 'fair value' of human life in Russia, argued: 'Even if a hard lockdown would lead to a 10% economic recession, it is still beneficial from an economic point of view – not to mention ethical considerations'. He criticised the soft lockdown measures ('non-working days') adopted by the time by the

[14] Guriev became the first NES tenured professor and was NES Rector from 2004 to 2013, and participated in several government commissions. In 2013 he emigrated to France and became a professor at Sciences Po in Paris. From 2016 to 2019 he was chief economist at the European Bank for Reconstruction and Development. According to a survey of the Russian academic community of economists conducted in 2016, he was one of the top ten Russian economists (Maltsev, 2016, p. 145).

[15] Sonin joined NES in 2001 and rose to tenured professorship and vice-rectorship there. From 2013 to 2014 he was a Vice-Rector at the Higher School of Economics (HSE), another prestigious university in Moscow. In 2015 Sonin joined the University of Chicago. Outside his academic activities, Sonin is by far the most popular representative of mainstream economics on social media in Russia, while his academic publications appear mostly in international journals (see e.g. Wright et al., 2020).

[16] 'When we agree to work in a more dangerous job for a higher salary, we are implicitly trading money for a chance to die. By observing many such trade-offs, economists have been able to estimate that the so-called value of a statistical life in the United States is $14.5 million in current dollars. This value is a measure of people's willingness to pay for risk reduction and the marginal cost of enhancing safety' (Zingales 2020).

government. Unlike Zingales, he didn't blame the vested interests of businesses but the political regime: 'There are more important things for the Russian state than human lives'.

On top of hard lockdown measures, Guriev advocated for an increase in social spending, while acknowledging the political restraints to that: 'It is quite possible that the Russian government believes that it cannot afford to spend 10–15% of GDP, which Western countries allocate to combat the consequences of lockdown'. At that point, he did not elaborate on specific measures regarding social spending. He only indicated the possible sources: Russia's sovereign wealth fund and privatisation. Soon after that, NES economists published an appeal for a hard lockdown, as well as active anti-crisis measures (support for businesses, unconditional transfers of money to households, the repeal of 'counter-sanctions').[17] In mid-April, Guriev (2020b, c) and Sonin (2020a, b) elaborated further on their anti-crisis policies. Guriev advocated for a lockdown lasting two to three months, during which pensions should double, all adults should receive substantial unconditional transfers of money, and utility charges would be embargoed. Sonin proposed a less generous but still substantial relief package that exceeded the announced government relief package. The proposals coincided with similar measures proposed by the Russian Communist Party, which made Russian liberals and communists strange bedfellows and attracted considerable media attention. But the Communist Party's proposals stemmed from their traditional narrative, while the liberal approach was based on reasoning in terms of mainstream economics. Still, the approach originally associated with the idea of fiscal balance revealed itself to have a remarkable flexibility, although it was conditioned to imposing a hard lockdown, whatever it took, with a return to a normal neoliberal political agenda afterwards.

Ultra-Conservatives

The boundaries of this group are uncertain: its base comprises rank-and-file researchers and university lecturers in several fields: economics, philosophy, history, etc. Its ideology is eclectic, with elements ranging from Soviet-era nostalgia to a vision of the Eurasian world dating back

[17] Originally posted on Sonin's Facebook page, then re-published by many independent media.

to Eurasianism and the revisionist approach to the Mongol Yoke that emerged in white émigré circles in the 1920s.[18]

Sergei Glazyev is the leader of this group in the field of economics.[19] In the late 1980s he belonged to the group of young pro-reform economists (see Sect. "'In-system Liberals'") and in 1991 he became a member of Gaidar's 'government of reformers'. In 1993, however, he quit the government and shifted to the opposition. In 2004, he ran for election as president and finished third, with 4.1% of votes. From 2012 to 2019, Glazyev was an economic advisor to Putin and Commissioner for Integration and Macroeconomics of the Eurasian Economic Commission. In parallel to politics, Glazyev came back to the academic community. In 2008, he was elected a full member of the Russian Academy of Sciences. In the survey, which we mentioned earlier, the majority of respondents listed Glazyev as the most authoritative Russian economist, with almost twice as many votes as the economist in second position (Maltsev, 2016, p. 145).

In 2006, Glazyev associated himself with evolutionary economics.[20] His texts, however, are hardly comprehensible in terms of modern Western economics. Glazyev's approach dates to the 1980s, when he elaborated on long-wave business cycles based on the theories of Nikolai Kondratiev and Joseph Schumpeter (Glazyev, 1993). Glazyev's approach may be thought of as technological determinism: innovations establish technological frontiers, and a nation that is more efficient at conquering them establishes a technological paradigm that helps to structure its national economy and allows dominance over the global economy. The

[18] The approach can be regarded as a continuation of the nineteenth-century Slavophile rejection of the European (Western) way, which Russia allegedly took on after Peter I. It was revived and widely popularised in the late Soviet period by the eccentric geographer and historian Lev Gumilev (son of two great Russian poets, Nikolai Gumilev and Anna Akhmatova).

[19] The most important ultra-conservative figure in philosophy and geopolitics is Alexander Dugin. He and Glazyev are members of the Club of Izborsk, a social conservative venue established in 2012, with one of its main goals to be 'an alternative to numerous clubs and venues of a liberal orientation, which for a long time claimed to express and intellectually serve the official policy of the Russian Federation' (https://izborsk-club.ru/about, accessed 3 March 2022). Members of the club include intellectuals, writers, journalists, former officials and politicians. Its actual impact on policy-making is uncertain, but is probably rather limited. The main function of the Club seems to be the discussion of ideas pertinent to some circles of the establishment.

[20] https://polit.ru/article/2006/09/26/glazyev/, accessed 3 March 2022.

shift from an old technological paradigm to a new one causes social upheaval and, on a global level, a world war, with the main belligerent powers acting as key shareholders in the opposing paradigms.

Glazyev (2020a) argued that this is precisely what is happening (or about to happen), with the USA as the dominant power striving to maintain the status quo (relying more and more on the NATO military alliance to ensure this) and China as a new contender. From this point of view, the pandemic seems to be 'a new front of the world hybrid war with the use of biological weapons'. However, according to Glazyev, China's government was able to fight off the enemy, and 'COVID-19 came back like a boomerang to NATO countries.' On the positive side, the crisis further stimulated investment, which accelerated the shift to the new technological paradigm (for example, the necessity to enforce lockdowns stimulated government spending in IT).

The anti-crisis proposal package for Russia drawn from this vision by ultra-conservatives included controls on capital, de-dollarisation and deoffshorisation; accelerated integration into the Eurasian Economic Union; a shift to strategic planning based on the mobilisation practices implemented to fight the pandemic; and forming a broad coalition between the countries fighting for the new technological paradigm (that is, a closer alliance between China and Russia).

Glazyev (2020b, c, d) further elaborated on this argument (including the conspiracy theory that COVID-19 is a Western biological weapon) in a series of articles in academic journals. Followers of his approach took a similar stance (e.g. Rumjanceva, 2020). Presumably, it resonates with the worldview of some of Russia's political elite.

6.5 Conclusions

The challenge posed by the pandemic was unprecedented, and human intuition would say (as indeed was the case with numerous early observers) that the answers to it should be the same in theory as in policy. The actual situation turned out to be more complicated.

On a practical level, the impact of breaking global supply chains was unmatched in scale but not in principle for Russia, given the sanctions regime that has been in place since 2014. A decade of economic stagnation contributed to cushioning the effect of the new exogenous shock. In responding to the crisis, the government did not abandon the macroeconomic policy it had followed in response to previous crises. Overall, its hike in spending was moderate in comparison with other countries, even if Russia jeopardised one of its main targets of macroeconomic management since the 1990s: low inflation, which was attained in the months prior to the pandemic, with an inflation rate below 3% (by the end of 2021, it exceeded 8%). Following that pattern, the government did not resort to international reserves or its sovereign wealth fund to provide anti-crisis spending. Lockdown measures imposed in Russia were rather mild as compared to those in other countries. In macroeconomic terms, the COVID-linked recession was milder than had been projected, while recovery came faster. This, however, re-established the prior economic situation.

On a theoretical level, the pandemic resulted in no changes to the positions previously held by representatives of influential approaches within economics, in public discourse, and in policy-making. Nor did the structure of existing divisions among Russian economists alter. Rather, the pandemic induced the proponents of the four impactful approaches outlined earlier to reiterate their theoretical and ideological positions. These positions may be debated; at any rate, they deserve serious analysis. Whatever merits or flaws can be attributed to them, their influence is due to the economists' connections with elements of the political elite. What we claim here, however, is the following: if we expect any significant changes to be generated or triggered in Russia, those changes will imply making a choice among the ideologies and policies associated with these four approaches.

References

Aganbegyan, A. (2020a). Krizis kak okno vozmozhnostej dlja social'no-jekonomicheskogo razvitija. *Nauchnye Trudy Vol'nogo Ekonomicheskogo Obshhestva Rossii, 223*(3), 47–69 (in Russian).

Aganbegyan, A. (2020b). Predlozhenija po social'no-ekonomicheskomu razvitiju v sovremennoj krizisnoj obstanovke. *Ekonomicheskoe Vozrozhdenie Rossii., 64*(2), 33–44 (in Russian).

Aganbegyan, A. (2021). K ustojchivomu social'no-jekonomicheskomu rostu. *Nauchnye Trudy Vol'nogo Ekonomicheskogo Obshhestva Rossii., 230*(4), 133–155 (in Russian).

Auzan, A. (2021). Global'nye institucional'nye posledstvija koronakrizisa. *Zhurnal Novoj Ekonomicheskoj Assotsiatsii, 49*(1), 204–208 (in Russian).

Boev, B. (2005). *Prognozno-analiticheskie modeli epidemij* (ocenka posledstvij tehnogennyh avarij i prirodnyh katastrof). (in Russian) https://www.armscontrol.ru/course/lectures05a/bvb050324.pdf

Ekonomicheskaja politika vo vremena COVID-19. Aprel' 2020. Sbornik statej. (2020). NES (in Russian).

Ekonomicheskie i social'nye posledstvija koronavirusa v Rossii i v mire. Analiticheskij bjulleten' HSE (in Russian). https://www.hse.ru/corona/

Glazyev, S. (1993). *Teorija dolgosrochnogo tehniko-ekonomicheskogo razvitija*. VlaDar (in Russian).

Glazyev, S. (2020a). *O glubinnyh prichinah narastajushhego haosa i merah po preodoleniju ekonomicheskogo krizisa*. https://glazev.ru/articles/1-mirovoy-krizis/78041-o-glubinnykh-prichinakh-narastajushhego-khaosa-i-merakh-po-preodoleniju-jekonomicheskogo-krizisa (in Russian).

Glazyev, S. (2020b). Pandemicheskij krizis pomog ukrepit'sja novomu tehnologicheskomu ukladu. *Nauchnye Trudy Vol'nogo Ekonomicheskogo Obshchestva Rossii, 225*(5), 26–35 (in Russian).

Glazyev, S. (2020c). Problemy i perspektivy rossijskogo finansovogo rynka v uslovijah strukturnyh izmenenij mirovoj ekonomiki. *Finansy: teorija i praktika, 24*(3), 6–29 (in Russian).

Glazyev, S. (2020d). Rossijskaja ekonomika v nachale 2020 goda: O glubinnyh prichinah narastajushhego haosa i komplekse antikrizisnyh mer. *Rossijskij Ekonomicheskij Zhurnal, 2*, 3–39 (in Russian).

Gokhberg L. M. et al. (2021). *Nauka. Tehnologii. Innovacii: 2021: kratkij statisticheskij sbornik*. HSE University (in Russian).

Grigoryev, L., Pavljushina, E., & Muzychenko, E. (2020). Padenie v mirovuju recessiju 2020… *Voprosy ekonomiki, 5*, 5–24 (in Russian).

Guriev, S. (2020a, March 27). VVP ili zhizni ljudej. *Vedomosti* (in Russian).

Guriev, S. (2020b). Tsennost' statisticheskoy zhizni i bor'ba s epidemiyey koronavirusa. In *Ekonomicheskaja politika vo vremena COVID-19*, 34–38. NES (in Russian).

Guriev, S. (2020c). Kraine vazhno skazat o tom, chego delat ne sleduet. In K. Rogov (Ed.), *Koronakrizis—2020: Chto budet i chto delat'? Stsenarii razvitiya i mery ekonomicheskoy politiki*, 34–36. Liberal'naya missiya (in Russian).

Institut ekonomiki RAN. (2020). *Predlozhenija po meroprijatijam v sfere ekonomicheskoj i social'noj zhizni strany posle zavershenija aktivnoj fazy bor'by s koronavirusom* (in Russian).

Karlinsky, A., & Kobak, D. (2021). The world mortality dataset: Tracking excess mortality across countries during the COVID-19 pandemic. *medRxiv: The preprint server for health sciences*, 2021.01.27.21250604. https://doi.org/10.1101/2021.01.27.21250604

Klepach, A. (2020). Rossijskaja ekonomika: shok ot koronavirusa i perspektivy vosstanovlenija. *Nauchnye trudy Vol'nogo ekonomicheskogo obshchestva Rossii, 222*(2), 72–87 (in Russian).

Ksenofontov, D. (2020). Scenarnoe modelirovanie epidemiologicheskih effektov ekonomicheskoj politiki. *Nauchnye trudy: Institut narodnohozjajstvennogo prognozirovanija RAN, 18*, 542–565 (in Russian).

Makarov, V., Bahtizin, A., Sushko, E., & Ageeva, A. (2020). Modelirovanie epidemii COVID-19—preimushhestva agent-orientirovannogo podhoda. *Ekonomicheskie i social'nye peremeny: fakty, tendencii, prognoz, 13*(4) (in Russian).

Maltsev, A. (2016). Rossijskoe soobshhestvo ekonomistov: Osobennosti i perspektivy. *Voprosy Ekonomiki, 11*, 135–158 (in Russian).

Mau, V. (2020). Ekonomika i politika 2019–2020 gg.: Global'nye vyzovy i nacional'nye otvety. *Voprosy Ekonomiki, 3*, 5–27 (in Russian).

Mau, V. (2021). Pandemija koronavirusa i trendy ekonomicheskoj politiki. *Voprosy Ekonomiki, 3*, 5–30 (in Russian).

Nekipelov, A. (2020). O vozmozhnostjah makroekonomicheskoj politiki v preodolenii krizisa, vyzvannogo pandemiej. *Nauchnye Trudy Vol'nogo Ekonomicheskogo Obshchestva Rossii, 223*(3), 37–46 (in Russian).

Nigmatulin, R., Nigmatulin, B., Aganbegyan, A., Abramov, M., & Kashin, V. (2020). *Pandemija 2020. Ekonomicheskij krizis v Rossii. Chto nado delat'*. Nauchno-koordinacionnyj sovet RAN po problemam prognozirovanija i strategicheskogo planirovanija (in Russian).

Obshhestvo i pandemija: opyt i uroki bor'by s COVID-19 v Rossii. (2020). Moscow (in Russian). https://publications.hse.ru/mirror/pubs/share/direct/414121642.pdf?ysclid=l3n31kmeif

OECD. (2017). *Entrepreneurship at a Glance*. OECD Publishing.

Polbin, A., Sinel'nikov-Murylev, S., & Trunin, P. (2020). Ekonomicheskij krizis 2020 g.: Prichiny i mery po ego preodoleniju i dal'nejshemu razvitiju Rossii. *Voprosy Ekonomiki, 6*, 5–21 (in Russian).

Rogov, K. (Ed.). *Koronakrizis—2020: chto budet i chto delat'? Stsenarii razvitiya i mery ekonomicheskoy politiki*. Liberal'naya missiya (in Russian).

Rumjanceva, S. (2020). Konec vitka i otricatel'nyj podbor. *Filosofija Hozjajstva, 129*(3), 59–87 (in Russian).

Ryazanov, V. (2020). Novyye tekhnologii v ekonomike i koronavirusnaya pandemiya: Predvaritel'nyye vyvody. *Ekonomicheskoye Vozrozhdeniye Rossii, 2*(64), 93–103 (in Russian).

Shirov, A. (2021). Pandemicheskij krizis ekonomiki: Mehanizmy razvitija i reshenija v oblasti ekonomicheskoj politiki. *Zhurnal Novoj Ekonomicheskoj Assotsiatsii, 49*(1), 209–216 (in Russian).

Sonin, K. (2020a). Bezuslovnyye transfery—otvet na ekonomicheskiy krizis. In *Ekonomicheskaja politika vo vremena COVID-19*, 39–42. NES (in Russian).

Sonin, K. (2020b). Rossiyskoye pravitel'stvo krizis zastal vrasplokh, i pervaya reaktsiya byla zamedlennoy. In K. Rogov (Ed.), *Koronakrizis—2020: Chto budet i chto delat'? Stsenarii razvitiya i mery ekonomicheskoy politiki,* 34–36. Liberal'naya missiya (in Russian).

Wakefield, A. (2006). *The disordered police state: German cameralism as science and practice*. University of Chicago Press.

Wright, A., Sonin, K., Driscoll, J., & Wilson, J. (2020, September 4). Poverty and economic dislocation reduce compliance with COVID-19 shelter-in-place protocols (Becker Friedman Institute for Economics Working Paper No. 2020–40). University of Chicago, Available at SSRN: https://ssrn.com/abstract=3573637

Zingales, L. (2020, March 13). Captured Western governments are failing the coronavirus test. *Promarket*. https://promarket.org/2020/03/13/captured-western-governments-are-failing-the-coronavirus-test/

CHAPTER 7

The Economy at the Time of COVID-19: Theoretical and Political Debates in the USA

Natalia Bracarense

Abstract This chapter discusses how economists in academia have analysed the impacts of COVID-19 on the US economy. Their study starts with a bibliometric analysis to identify academic output on the topic, which informs a more in-depth literature review. The literature review shows that many economists point to an increase in inequality and a lack of deep changes in the government's policy.

Keywords Bibliometric analysis · Covid · United States · Inequality · Economic Issues

N. Bracarense (✉)
North Central College, Naperville, IL, USA
e-mail: nbracarense@noctrl.edu

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0_7

7.1 Introduction

The negative impacts of the COVID-19 crisis on the economy are undeniable. In the USA, the recession triggered by the sanitary crisis reached a trough in April 2020, when more than 23 million people filed for unemployment: labour participation decreased by 8 million and the official unemployment rate rose to 14.8% (FRED, 2021). In response, the US government implemented two stimulus packages in 2020: CARES and the Consolidation Appropriation Act. In 2021, the Biden administration introduced the American Rescue Act in March, the American Jobs Plan in November, and put forward a social policy proposal, the American Families Plan. Although the labour market mostly recovered in 2021, the medium-term and long-term impacts of the economic and social changes caused by the pandemic are unclear. For instance, economists are debating the possibility of a new employment trend: the Great Resignation, which indicates a general cultural shift caused by the pandemic (Cappelen et al., 2021); and increased preferences towards less work, less income and more leisure. In fact, from July to December 2021, over 4 million people in the USA quit their jobs, a historical record (*Financial Times*, 2021a, 2022a). Given the expansion of businesses due to the US economy rebounding and low quit rates in 2020, evidence of this potential cultural shift is, however, still slim (*The Economist*, 2021a). Economists have analysed the possible long-term and permanent effects of COVID-19 on the direction and composition of GDP, labour force and national debt. This chapter relies on a bibliometric study and literature review to evaluate economists' treatment of the current crisis.

7.2 The Economy Before and During the Pandemic

From 2008 until the beginning of the pandemic, common performance indicators have shown signs that the US economy has made a full recovery. GDP increased continuously until it reached the pre-Great Recession level of $14.7 trillion (Q1 2010); the unemployment rate consistently decreased to a historic low of 3.5% in January 2020; and, since its low in 6 March 2009, the S&P500 stock market index rose from a low of 683.38 points to a high of 3,386.15 (on 19 February 2020).

These figures, however, only give a partial picture of the actual situation. For instance, after 2008, it took nearly a decade for unemployment to fall below the pre-Great Recession level of 6.7 million people. Labour force participation, on the other hand, has never shown any signs of recovery, staying at around 63% since March 2013 (Fig. 7.1).

Additionally, the inequality in the country had continued to increase. In 2008 the top 20% of earners brought in 50% of all US income, a figure that increased to 52% in 2018: that is, the top 20% bring in more income than the lower 80% (Census Bureau, 2019). The gap, moreover, has a face: while annual income for white Americans averaged at approximately $80,000, African Americans received $50,000 in 2008—a difference that remained stable until the sanitary crisis hit. In terms of wealth, only the top 5% of richest households grew wealthier after the Great Recession (Census Bureau, 2019). Finally, the gender gap has not changed significantly since 2008: in the decade that followed, on average women earned $20 an hour, compared to men's average earnings of $23.50 per hour.

The economic context when COVID-19 began was neither homogenous nor simple. It is, thus, unsurprising that the health crisis did not affect everyone equally.

Estimates show that non-Hispanic white and Asian individuals aged 25 or older experienced a COVID-19 mortality rate of 110–116 persons per 100,000 people in 2020. Meanwhile, for Black and Latinx people that figure was twice as high, with the worst-affected groups being American Indian or Alaska Native individuals (334.5 per 100,000) and Native Hawaiian and Other Pacific Islander individuals (356.9) (Feldman & Basett, 2021). The varying mortality levels in these ethnic groups are highly correlated with their income (Jung et al., 2021) and access to healthcare (Wright et al., 2020).

The median household income was $67,521 in 2020, a decrease of 2.9% from 2019—the first statistically significant decline in median household income since 2011. Among non-Hispanic whites, 8.2% lived in poverty in 2020, while Hispanics had a poverty rate of 17%, African Americans 19.5% and Asians 8.1% (Census Bureau, 2021).

Considering income distribution, lower income households were hit harder by the COVID-19 crisis; the Gini coefficient increased from 48.4 in 2019 to 48.9 in 2020. The highest quintile of earners were the only people whose income share rose (from 51.8 to 52.3% of total national income, an increase of 1%). Meanwhile, the lowest quintile lost 3.4%, the second 1.8%, the third 0.5% and the fourth quintile lost 0.2% of their share in total income in 2020 (Census Bureau, 2021).

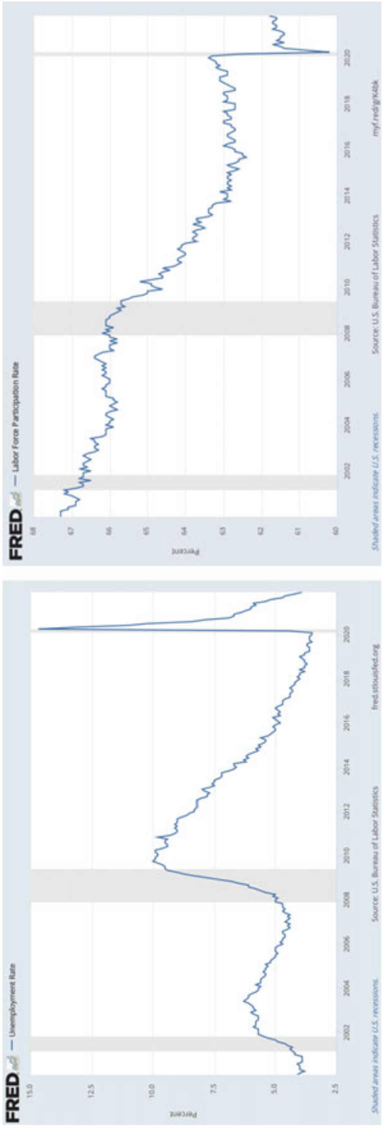

Fig. 7.1 Unemployment levels and labour participation rates in the USA from 2000 to 2021

By early 2022, the USA's GDP had recovered to pre-COVID-19 levels: GDP went from $21.7 trillion (Q4 2019) to $24 trillion (Q4 2021). Meanwhile, labour force participation, which reached a new low of 60.2% during the lockdown in April 2020, has stayed at around 61.5% since mid-2020 (Fig. 7.1). Additionally, new concerns regarding inflationary pressure have emerged, as the Consumer Price Index (CPI) was 7.0% and the Producer Price Index (PPI) 16.7% in 2021. While supply chain disruption can explain some of the rising prices (*Financial Times*, 2021b), questions around fiscal-led inflation (*The Economist*, 2021b) and increased debt have reduced support for the Biden administration's recovery package proposals (*Financial Times*, 2021c) and have prompted the Federal Reserve System (the Fed) to signal future interest rate increase (*New York Times*, 2022).

Faced with this uncertainty, economists have produced a huge amount of information on the impacts of COVID-19 on the US economy. Although this chapter cannot discuss the full picture, due to the ongoing, changing status of the crisis, the next section aims at summarising which topics have captured scholars' attention over the past two years.

7.3 Bibliometric Study and Source Selection

The purpose of presenting a bibliometric analysis is twofold. First, it gives an overview of material that has been produced by academics about the impact of the pandemic on the US economy. Second, it informs the selection of articles for the literature review. The database used for the bibliometric analysis is Web of Science (WoS), chosen due to its highly reliable sub-databases of publications selected (Merigó & Yang, 2017). The main limitations of this approach, however, are that WoS does not list books or most conference proceedings (Meho & Yang, 2007), and it does not offer any evaluation of journals' ranking or impact factor.

The search on WoS involved two strings. The first consisted of 'covid OR corona OR coronavirus OR pandemic OR "sanitary crisis"', while the second string consisted of 'US OR USA OR "United States" OR American NOT Latin NOT Central'. The search for title, key words and abstract was limited to the field of economics and to the years between 2020 and 2022. It returned 509 results on 20 December 2021. Among the results, there are 465 articles, 78 of those early access, 21 meeting abstracts, 16 proceedings papers and 5 editorials. Chronologically, 178

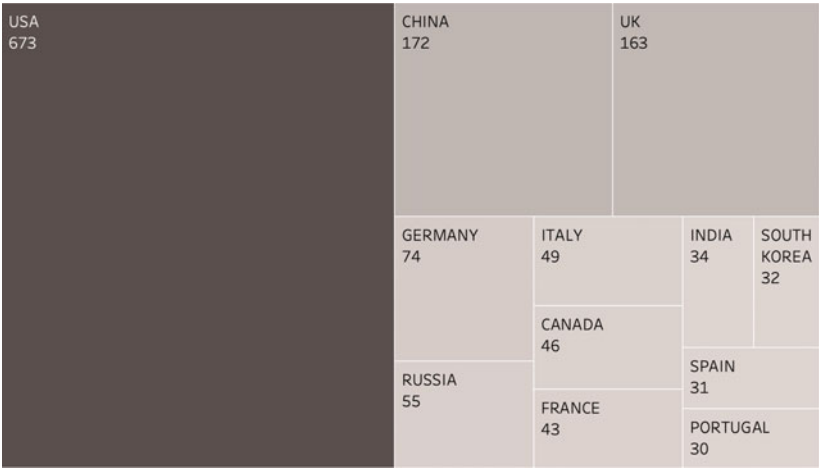

Fig. 7.2 The most productive countries with relation to COVID-19 research and the US economy

documents were produced in 2020, 328 in 2021, and 3 are set to appear in 2022.[1]

The publications, which involved 1,358 authors, predominantly consisted of multiple-authored manuscripts (418) rather than single-authored ones (91), averaging 2.67 authors per document. Authors writing on the topic are mostly located in the USA (42.1% of authors), followed by China (10.78%) and the UK (10.21%) (Fig. 7.2). The collaborative clusters show that most inter-institutional networking has remained within national borders. Exceptions are a cluster consisting of Johns Hopkins University, the University of Essex and Seoul National University, as well as a cluster including the University of Economics of Ho Chi Minh City, and institutions in Vietnam, South Korea and Oman (Fig. 7.3).

According to WoS, from the 465 articles about the economic impact of COVID-19 on the USA, 46 are on business finance, 37 on agricultural economic policy, 31 on health policy services, 28 on healthcare

[1] Results were analysed using bibliometric techniques—a statistical approach used to examine bibliographic data (Meho & Yang, 2007). This chapter relies on the bibliometrix® package for R (Aria & Cuccurullo, 2017), specifically its biblioshiny interface.

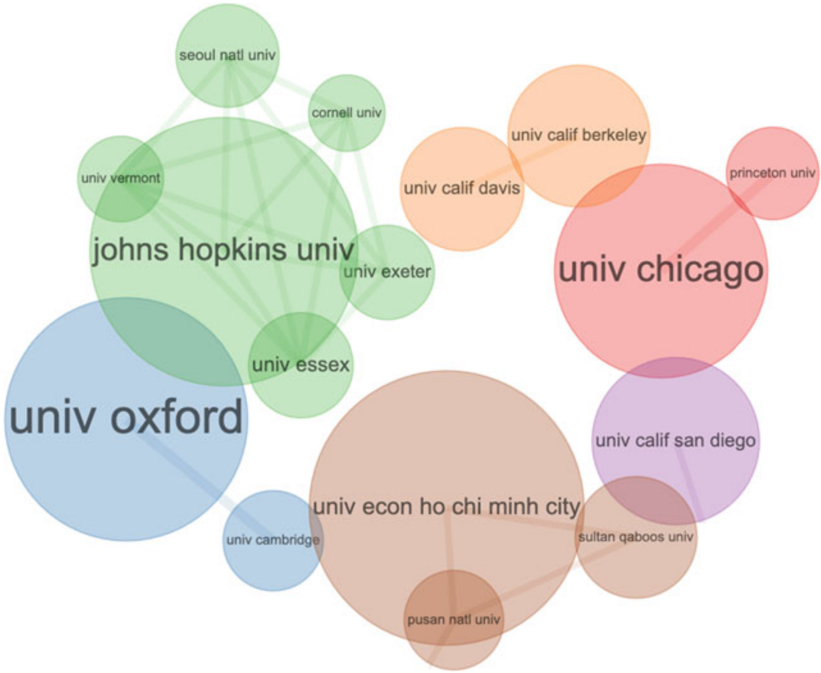

Fig. 7.3 Institutional collaboration for research on COVID-19 and the US economy

sciences services and 24 on business. Economists have given priority to topics related to public policy, health and business performance. The most relevant sources support this point.

Figure 7.4 lists these sources: while 191 sources have published on the topic, only four journals contain ten or more articles on the economic impact of COVID-19 in the USA. *Value in Health* is the most prolific of these, producing 20 papers over the past couple of years, followed by *Applied Economic Letters* (19), *Journal of Public Economics* (18) and *Applied Economic Perspective and Policy* (14). This concentration of publications in just a few areas of research indicates that discussions around the subject have not yet reached the wider academic community. According to the Journal Quality–Equality Score (Lee et al., 2010), 5 out of the 50 journals with the most publications on the topics are heterodox: the

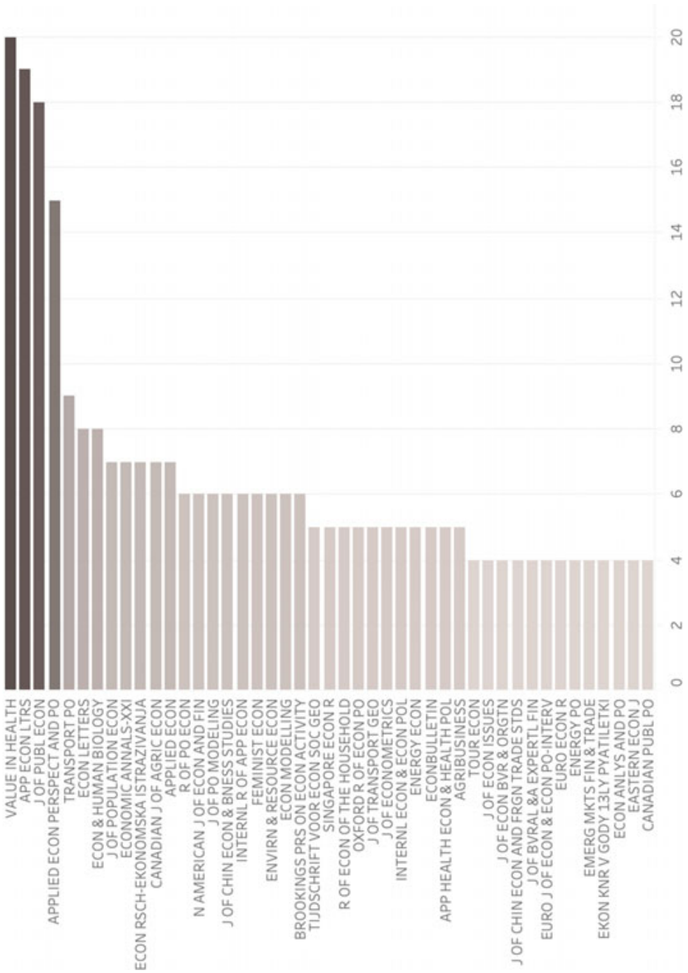

Fig. 7.4 The most relevant sources of research into COVID-19 and the US economy

International Review of Applied Economics, *Feminist Economics*, *Review of Political Economy*, *Journal of Economic Issues* and *Journal of Economic Behaviour and Organization*.

Another evidence of the importance of the *Journal of Public Economics* and *Applied Economic Perspective and Policy* to research on the topic is that these journals appear in the top five journals, in both the list of most relevant sources and the list of most cited sources, with 725 and 143 citations, respectively (Table 7.1). In general, journals that have published the most research into COVID-19 and the US economy are not necessarily the most impactful.

In the next section, a detailed analysis of the most cited articles was performed. Meanwhile, seven out of the ten most cited articles were published in the *Journal of Public Economics*. In the *Journal of Behavioural and Experimental Finance*, only one out of 155 citations was not citing the paper written by Ali et al. in 2020 (Table 7.2). On the other hand, *Applied Economic Perspective and Policy*'s citation pattern is more dispersed, with its most cited paper, *Food Security during COVID-19*, having 39 citations. Table 7.3 shows that the fields in which the most cited authors work vary from applied microeconomics, behavioural finance and economics to macroeconomics and political economy. Moreover, the ten most cited authors, with an average of 1.7 articles published

Table 7.1 The most cited sources of research into COVID-19 and the US economy

Sources	*# of Citation*
Journal of Public Economics	725
Journal of Behavior and Experimental Finance	155
Applied Economic Perspective and Policy	143
Journal of Cost Benefit Analysis	106
Journal of Population Economics	85
Journal of Econometric	78
Economic Analysis and Policy	77
Environmental and Resource Economics	73
Oxford Review of Economic Policy	52
Journal of Economics and Management Strategy	49
Applied Economic Letters	49
Journal of Economic Behavior and Organization	36

Table 7.2 Most cited documents in research into COVID-19 and the US economy

Article Title	*Authors*	*Year*	*TC*	*Journal*
How many jobs can be done at home?	Dingel, J., I; Neiman, B.	2020	182	*Journal of Public Economics*
Coronavirus (COVID-19)—An epidemic or pandemic for financial markets	Ali, M.; Alam, N.; Rizvi, R. Syed Aun	2020	154	*Journal of Behavioral and Experimental Finance*
Inequality in the impact of the coronavirus shock: Evidence from real time surveys	Adams-Prassl, A. et al.	2020	133	*Journal of Public Economics*
Economic uncertainty before and during the COVID-19 pandemic	Altig, D. et al.	2020	106	*Journal of Public Economics*
The benefits and costs of using social distancing to flatten the curve for COVID-19	Thunstrom, L. et al.	2020	106	*Journal of Cost–Benefit Analysis*
Polarization and public health: partisan differences in social distancing during the coronavirus pandemic	Allcott, H. et al.	2020	77	*Journal of Public Economics*
Labor demand in the time of COVID-19: evidence from vacancy postings and UI claims	Forsythe, E. et al.	2020	61	*Journal of Public Economics*
COVID-19, lockdowns and well-being: evidence from Google Trends	Brodeur, A. et al.	2021	51	*Journal of Public Economics*
Y Causal impact of masks, policies, behavior on early COVID-19 pandemic in the US	Chernozhukov, V.; Kasahara, H.; Schrimpf, P.	2021	50	*Journal of Econometrics*
The impact of COVID-19 on small business owners: evidence from the first 3 months after widespread social-distancing restrictions	Fairlie, R.	2020	49	*Journal of Public Economics*

Table 7.3 The most cited authors writing about COVID-19 and the US economy

Authors	*# of Citations*	*# of Publications*	*Research Area*
DINGEL, Jonathan	182	1	*Economics and Economic Geography*
NEIMAN, Brent	182	1	*International Macroeconomics*
ALI, Moshin	156	1	*Behavioural Finance*
ALAM, Nafis	156	1	*Fintech and Banking Regulation*
RIZVI, Syed Aun	156	1	*Finance and Econophysics*
ADAMS-PRASSL, Abi	133	2	*Applied Microeconomics*
BONEVA, Teodora	133	2	*Applied Microeconomics*
RAUH, Chirstopher	133	2	*Labour Economics and Political Economy*
GOLIN, Marta	133	2	*Behavioural and Labour Economics*
BRODEUR, Abel	107	4	*Economics and Political Economy*

per author, are not necessarily the most prolific ten, whose average is three articles.

The most cited works (see Table 7.2) relate to the impact of the sanitary crisis on workers, businesses, inequality and financial markets, as well as political responses to the crisis. In fact, Fig. 7.5 (a word cloud produced from the abstracts of the 509 documents published on the topic) shows that concerns relating to economic policy, stock markets, financial and social impacts, public health, risk, volatility and uncertainty, among other themes, have excited the interest of researchers in economics. Oil, food and other energetic markets, as well as trade between the USA and China, have also occupied the minds of these scholars.

Finally, Fig. 7.6 summarises the topics discussed in this section, by showing connections between the most productive institutions, the most prolific authors and the topics that dominate their concerns. It is possible to see the strong presence of the universities of Oxford and Cambridge in the UK, the University of Chicago and Johns Hopkins University in the USA, and the University of Zhejiang (China) and the University

Fig. 7.5 A word cloud showing the most common terms in articles about COVID-19 and the US economy

of Economics Ho Chi Minh City (Vietnam). The most prolific author, Abel Brodeur, from Johns Hopkins University, published four articles on public policy, while other scholars discussed inequality, the stock markets, volatility and uncertainty.

The next section presents the conclusions derived from this research. This relied mostly on the five heterodox journals listed in Fig. 7.4 and the mainstream journals: the *Journal of Public Economics*, *Economic Letters*, *Applied Economic Letters* and *Applied Economic Perspectives and Policy* as well as the ten most cited papers (Table 7.2).[2] Based on this selection, which was designed to show the range of approaches to the treatment of the topic, the following section is divided into three themes: fiscal policy; monetary policy and financial markets; and inequality and the labour market.

[2] From the most relevant sources, Value in Health and Transport Policy were not selected because their themes are very specific, and their papers have not been widely cited.

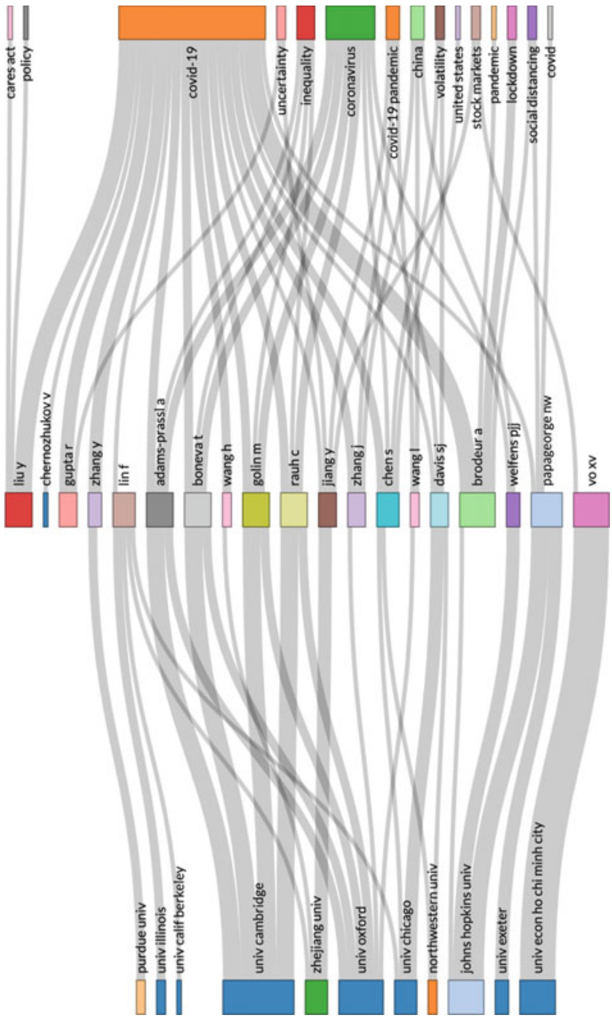

Fig. 7.6 A tree field plot showing affiliation, the most productive authors and main themes

7.4 Impacts of the COVID-19 Crisis on the US Economy

US Fiscal Policy During the COVID-19 Crisis

As mentioned in the Introduction, the US government passed several packages of fiscal policies in 2020 and 2021. This section shows that, although mainstream and heterodox economists' analyses of these policies displayed different focal points, most of them found biases in implementation. Positive evaluations of the government's political choice were rare, only present in mainstream journals.

Starting with the latter perspective, Chudik et al. (2021) use an econometric model to show that the way the US government handled the economic shock caused by COVID-19 had a positive impact on growth and helped to prevent an economic crisis, thanks to the spillover effect of government spending on expenditure in other economic sectors (i.e. households, firms and the foreign sector). The observation of a multiplier effect in the domestic economy is supported by surveys conducted in more than 1,000 US households, which showed that 54.3% of the people interviewed spent most or all of their Economic Impact Payments (cheques for between $300 and $1,200, distributed by the federal government to households as part of the CARES Act) to pay for needs and wants. Meanwhile, only 23.8% of people stated that they used their Economic Impact Payment to save, pay back debt or buy financial assets (Asebedo et al., 2020). Another policy included in the CARES Act was the Federal Pandemic Unemployment Compensation (FPUC) programme, which supplemented unemployment insurance by $600 per week. The FPUC served, from April to July 2020, to provide crucial liquidity necessary for households to smooth consumption expenditure during this unprecedented period of economic dislocation—it also provided the largest comparative benefit to lowest-income workers (Ganong et al., 2020). Although Ganong et al. conclude their paper by warning of the danger that the increased compensation could hamper labour market efficiency, other studies show that, even if the FPUC decreased the labour supply, it had no negative impact on the level of employment or on the labour market tightness (Finamor & Scott, 2021; Marinescu et al., 2021).

On a less positive note, mainstream economists have denounced biases on the incidence of these policies. For instance, states with stronger

Democrat representation in Congress received, on average, an additional $670 in aid per capita in 2020 (Clemens & Veuger, 2021). Reinforcing that inequity, predominantly Democrat states have adhered better to lockdown and social distancing rules (Alcott et al., 2020) and tend to have lower sales taxes than predominantly Republican states (Tax Foundation, 2021). On one hand, even if social distancing imposes high costs on society due to reduced economic activity, it results in considerable positive net benefits for the economy (Thunström et al., 2020). On the other hand, federal transfers have reduced state losses, avoiding the layoff of an additional 40% of employees in comparison to a scenario of no federal help; nonetheless, states with higher sales taxes suffered a stronger negative impact on their revenue collection (Green & Loualich, 2021).

Fiscal policies also reinforced some negative tendencies already present in the USA. Mainstream journals have shown, for instance, that the Paycheck Protection Program (PPP) extended $669 billion of forgivable loans aimed at supporting small businesses affected by the COVID-19 crisis—an unprecedented effort. However, the 'first come, first served' basis of the programme, combined with the presence of information friction, ended up benefiting larger enterprises rather than the intended target (Humphries et al., 2020). This perspective was confirmed by the media, who have reported on record gains for US companies such as Apple, Goldman Sachs, Chevron and Pfizer, to name but a few (CNN, 2021; *Financial Times*, 2022b, 2022c).

Heterodox economists have also pointed out policies that aggravate inequality, such as, for instance, increasingly transferring social reproduction responsibilities (i.e. education and healthcare, income support) to households and the government away from employers. Rather than changing the long-term direction of its spending to restructuring institutions to reintroduce social reproduction responsibilities to firms, the US government led its response to COVID-19 through temporary, palliative measures (Moos, 2021). As a result, the US federal government chose to focus on income support to compensate for the lack of employers' responsibility in this regard rather than increasing investment in health services, a choice that leaves low-wage workers, many women, and many people of colour in a vulnerable position (Cohen & Rogers, 2021; Moos, 2021). Not surprisingly, studies have shown that although individuals' well-being diminished during the pandemic (Brodeur et al., 2021), the economically and socially marginalised have been disproportionately impacted psychologically by the pandemic (Le & Nguyen, 2021).

Finally, while compared with other advanced capitalist countries, the USA is unique in lacking universal healthcare coverage, having instead a for-profit, pay-for-service healthcare model. The USA was not alone in lacking investment to revitalise the health system during the pandemic. In fact, all the countries that are members of the Organisation for Economic Co-operation and Development (OECD) prioritised income transfers over increased expenditure on health services (Carvalho et al., 2022). Other studies argue that this trend is global, typically supported by neoliberal ideals, due to the deepening of austerity policies aimed at reducing fiscal deficits. COVID-19, in turn, shone a light on long-term deficiencies in social spending, especially in the health sector, as well as on the lack of complementarity between monetary and fiscal policies implemented in the past decade (Girón & Correa, 2021; Vidal & Correa, 2021). Heterodox economists conclude that a paradigmatic shift is needed to move government policy towards re-establishing institutions aimed at improving social reproduction and sustainability (Heintz et al., 2021; Ruiz & Stupariu, 2021; Scott & Pressman, 2021).

US Monetary Policy During the COVID-19 Crisis

Analysis of the monetary policy implemented during the pandemic reinforces the perception that the US government continued to do more of the same. Despite the World Bank's observation that structural reforms were necessary in the long term to reverse the economic effects of the pandemic (World Bank, 2022), heterodox and mainstream economists agree that US monetary policy has not changed, if compared to the US government's reaction to the 2008 crisis (Scorsone & Klammer, 2021). In fact, since 2008, the Fed has practised quantitative easing, expanding its balance sheet—a trend also observed in central banks in the UK, EU, Canada and Japan. In March 2020, the pandemic led major stock markets to a double-figure decline in 16 trading days, with the S&P500 dropping by 30% (Ali et al., 2020). The Fed responded by peaking its balance sheet (Cortes et al., 2022), a policy choice that benefited the financial sector, especially shadow banking (Grasselli, 2021). As a result, the negative effect of the crisis on the financial markets due to increased uncertainty (Huynh et al., 2021) was short-lived (Vasileiou, 2021), with its effect on the S&P 500 mostly being observed during March 2020 (Yilmazkuday, 2021).

The financial system has been flooded with liquidity, debt purchase operations have been carried out, and the composition of financial markets has been defended and transformed (Vidal, 2021). Compared to other developed countries and emerging markets, the US stock market experienced positive abnormal returns after the Fed stimulus (Harjoto et al., 2021). Meanwhile, more than a quarter of households in the USA containing people of working age do not have sufficient savings to cover their expenditure after a month of unemployment; access to only 1% of future Social Security benefits would allow 75% of households to maintain their current consumption for three months in the event of unemployment (Catherine et al., 2020).

As summarised by Storm (2021), US macroeconomic policy has not changed since the pandemic. First, it continues to emphasise fiscal austerity (which diminishes public health capacities, damages public health and deepens inequalities). Second, it insists on relying on an ideological trade-off between 'efficiency' and 'equity', which is mostly used to justify extreme inequality. Third, it endorses the unchecked power of global finance and the rentier class over monetary and fiscal policy-making, responding to the excessive liquidity preference of the rentiers and neglecting to realign the interests of finance and the real economy.

The Fed's policy and announcement was able to minimise the impact on financial intermediaries and on a few non-financial sectors, such as retail and technology (Cortes et al., 2022). US data shows that COVID-19-related uncertainty shock foreshadows a drop in industrial production of 12–19% (Altig et al., 2020). The impact across industry is clearly heterogeneous, given that some industries are less able to function with remote working than others (Rio-Chanona, 2020). Other industries are more affected by the supply chain constraints caused by the crisis. Moreover, the monetary policy allowed for abnormal positive returns by large US firms to the detriment of small businesses (Harjoto et al., 2021). In fact, Fairlie (2020) calculates that the number of active small business owners in the USA plummeted by 3.3 million (or 22%) from February to April 2020. While nearly all industries were affected, minorities suffered disproportionately: African American businesses were hit especially hard, experiencing a 41% drop in activity, while Latinx, Asian and female owners' activity fell by 32%, 26% and 25%, respectively.

If deeper reforms are not considered, such as a modification in productive activities allowing for recovery, sustained economic growth is unlikely, and solutions to redress social inequality are even less likely (Vidal, 2021). The next section discusses in more detail economists' proposals to mitigate the impacts of COVID-19 on inequality, unemployment and rural–urban disequilibria.

The US Labour Market and Inequality During the COVID-19 Crisis

Economists from both camps have demonstrated the unequal impact of COVID-19 on households. Several mainstream economists have focused, for instance, on food insufficiency during the pandemic, which increased threefold compared to 2019, and more than doubled relative to the Great Recession (Ziliak, 2021). It has been estimated that an additional 17 million Americans faced food insecurity in 2020, where populations in the South and in Native American Reserves (Gundersen et al., 2021), as well as seniors, have been disproportionally impacted (Ziliak, 2021).

Although immigration was temporarily restricted during the pandemic, making it hard for farmers to secure enough workers, many farmers implemented new labour management practices that allowed for resiliency of the agricultural supply chain (Charlton & Castillo, 2021). One source of resilience was the local and regional food systems (LRFS), whose shorter supply chains and smaller operations allowed for quick, innovative responses to the crisis (Thilmany et al., 2021). Rather than increased prices due to supply chain blockages, increased unemployment and poverty were identified as the roots of food insecurity during the pandemic (Gundersen et al., 2021). Consequently, some economists have called for reforms, both to assist LRFS (Thilmany et al., 2021) and to increase internet access in rural areas to make it easier to cope with worker shortages (Lai & Widmar, 2021).

Dingel and Neiman's 2020 paper—the most cited paper in the dataset—validates the importance of internet access for strengthening resilience. The authors show that 37% of jobs in the USA can be carried out entirely at home, with significant variation across cities and industries. The jobs that can be carried out remotely account for 46% of US aggregate wages; that is, they are typically better-paid jobs than jobs that cannot be done remotely (*New York Times*, 2021). The former group includes sectors such as IT, computing, education and training, the law, business, management and finance. The latter group includes farming, fishing and forestry, factory work, installation and maintenance, construction, building and ground cleaning, extractive occupations and food preparation and serving (Dingel & Neiman, 2020).

Heterodox and mainstream scholars alike have evaluated how this imbalance has resulted in a lasting tendency towards unequal treatment and opportunities for different groups of workers (Stevano et al., 2021). It's not only that activities that more easily fit remote work tend to be performed by highly skilled people (Rio-Chanona et al., 2020), but there is also a gendered and ethnic differential (Adams-Prassl et al., 2020). The new category of workers officially labelled 'essential workers' or 'key workers' in the early stages of the pandemic included a large percentage of Black and Latinx people, as well as people working in care services, who are predominantly women (Broady et al., 2021; De Haneu & Himmelweit, 2021).

While a large portion of essential workers were from ethnic minorities, partly protecting Black and Latinx employment early in the crisis, having to go out to work instead of working remotely placed workers at more risk of catching COVID-19 (Wright et al., 2020). Also, its unfavourable occupational distribution, lower average skills levels and lower social protection led to job losses in the longer term (Bloom & Prettner, 2020; Couch et al., 2020).

Another aspect of the inequity highlighted by the pandemic relates to care service jobs—considered 'essential' during the crisis. The field, usually dominated by women, tends to pay even lower salaries than other essential jobs. Warnings that care penalties have significant implications for the future supply of care services as the pandemic persists emphasise the need to develop policies to challenge the undervaluation of care work (Folbre et al., 2021; Scott & Pressman, 2021). While evidence shows that women and less educated workers have been more economically affected by COVID-19 (Adams-Prassl et al., 2020), the impact on women goes beyond the workplace. Lockdowns, an increase in family isolation, unemployment and economic stress have also increased the incidence of domestic violence (Leslie & Wilson, 2020).

These findings of disproportionate effects on employment for individuals from ethnic minority groups raise important concerns regarding lost earnings and wealth, and the longer-term consequences of the pandemic on class (Rio-Chanona et al., 2020), gender and racial inequality (Broady et al., 2021). This disequilibrium needs to be mitigated by deep social reforms (De Haneu & Himmelweit, 2021; Sawyer, 2021) if the government wishes to stop the spiral of disparity, whose path-dependent nature indicates no tendency of self-correcting (Michl, 2021; Rio-Chanona et al., 2020), as there are no signs that the labour market will stop using hybrid working models (*Financial Times*, 2021d). In fact, since 2008, GDP and employment decoupling have been intensified (Koleslinova & Liu, 2011), a tendency that is expected to continue, especially given the way COVID-19 has accelerated the infotech revolution. This is estimated to, if not permanently introduce labour-economising technologies, at the very least lead to high levels of unemployment (Carson, 2020; Chernoff & Warman, 2020).

Studies have shown that the impact of COVID-19 on the US labour market is not short-term (Rio-Chanona et al., 2020) and cannot be corrected by reversing the policies put in place during the crisis (Forsythe et al., 2020; Michl, 2021). From a viewpoint of economic recovery and social reproduction, deep reforms are needed (Folbre et al., 2021)—and possible (Sawyer, 2021). For instance, given the importance of essential workers and evidence that the Federal Pandemic Unemployment Compensation programme has shown no negative impact on employment (Marinescu et al., 2021), reforms to formally incorporate work as a fluid concept that goes beyond the labour market—legitimising housework as work, for instance—would be welcome. This could be achieved by replacing the term 'unskilled labour' with the more dignified classification of 'key worker', but also by putting forward the material and political claims attached to it (Stevano et al., 2021).

7.5 Concluding Remarks

The bibliometric study and literature review have shown that more than 250 papers were produced in both 2020 and 2021 on the impacts of COVID-19 on the US economy. A large majority of the papers relate to labour economics, especially in the *Journal of Public Economics* and *Feminist Economics*. Heterodox and mainstream economists seem to agree with the nefarious and long-term nature of the impact of the crisis on existing inequalities. As a solution, scholars from different approaches have recommended deep reforms.

Surprisingly, economists generally agree that COVID-19 and related public policies have aggravated injustices in labour relations and in households. Scholars have shown political biases privileging big corporations rather than small firms, financial markets rather than households and urban workers who rely on IT to do their job rather than rural, house and care workers. Women and racial minorities have also been hit harder by the crisis and the government responses. Regarding monetary policy, heterodox economists criticised the Fed, while mainstream journals have focused on the impact of policies on the financial markets. Meanwhile, the five heterodox journals selected have not discussed food security or problems related to rural areas over the past two years; instead, they have often referred to sustainability—though without proposing any pragmatic solutions. Mainstream economists have diversified: rather than their past focus on monetary policy, these scholars have analysed inequality, social injustice and how big corporations have got richer. Finally, in general, there is a research gap in the areas of natural resources and on inflationary pressures, especially for raw materials. Papers on the latter topic should soon appear; on the former, however, much work is yet to be done.

References

Adams-Prassl, A., Boneva, T., Golin, M., & Rauh, C. (2020). Inequality in the impact of the coronavirus shock: Evidence from real time surveys. *Journal of Public Economics, 189*. https://doi.org/10.1016/j.jpubeco.2020.104245

Ali, M., Alam, N., & Syed Rizvi, S. A. R. (2020). Coronavirus (Covid-19)—An epidemic or pandemic for financial markets. *Journal of Behavioral and Experimental Finance, 27*. https://doi.org/10.1016/j.jbef.2020.100341

Allcott, H., Boxell, L., Conway, J., Gentzkow, M., Thaler, M., & Yang, D. (2020). Polarization and public health: Partisan differences in social distancing during the coronavirus pandemic. *Journal of Public Economics, 191*. https://doi.org/10.1016/j.jpubeco.2020.104254

Altig, D., Baker, S., Barrero, J. M., Bloom, N., Bunn, P., Chen, S., Davis, S. J., Leather, J., Meyer, B., Mihaylov, E., Mizen, P., Parker, N., Renault, T., Smietanka, P., & Thwaites, G. (2020). Economic uncertainty before and during the Covid-19 pandemic. *Journal of Public Economics, 191*. https://doi.org/10.1016/j.jpubeco.2020.104274

Aria, M., & Cuccurullo, C. (2017). bibliometrix: An R-tool for comprehensive science mapping analysis. *Journal of Informetrics, 11*(4), 959–975.

Asebedo, S. D., Liu, Y., Gray, B., & Quadria, T. H. (2020). How Americans used their Covid-19 economic impact payments. *Financial Planning Review, 3*(4), 1–47.

Bloom, D., & Prettner, K. (2020, June 25). *The macroeconomic effects of automation and the role of Covid-19 in reinforcing their dynamics*. Vox.EU.org (CEPR Policy Portal).

Broady, K., Booth-Bell, D., Coupet, J., & Mackln, M. (2021, March). *Race and jobs at risk of being automated in the age of Covid-19*. The Hamilton Project Economic Report.

Brodeur, A., Clark, A. E., Fleche, S., & Powdthavee, N. (2021). Covid-19, lockdowns and well-being: Evidence from Google Trends. *Journal of Public Economics, 193*. https://doi.org/10.1016/j.jpubeco.2020.104346

Cappelen, A. W., Falch, R., Sørensen, E. Ø., & Tungodden, B. (2021). Solidarity and fairness in times of crisis. *Journal of Economic Behavior & Organization, 186*, 1–11.

Carson, K. (2020). *Digitization and automation in the constructions trades*. Seattle Jobs Initiative.

Carvalho, L., Cardomingo, M., & Toneto, R. (2022, January 9). *Saving lives and the economy: The role of fiscal policy in the Covid-19 recession*. ASSA Annual Conference. https://www.aeaweb.org/conference/2022/preliminary/1870?q=eNqrVipOLS7OzM8LqSxIVbKqhnGVrJQMlWp1lBKLi_OTgRxTUyUdpZLUolxcIBvISkmshDBKMnNTIayyzNRykAFFBQUg9QZKtbVcMGM1G8I

Catherine, S., Miller, M., & Sarin, N. (2020). Relaxing household liquidity constraints through social security. *Journal of Public Economics, 189*. https://doi.org/10.1016/j.jpubeco.2020.104243

Census Bureau. (2019). *Income and poverty in the United States: 2018*. https://www.census.gov/library/publications/2019/demo/p60-266.html

Census Bureau. (2021). *Income and poverty in the United States: 2020*. https://www.census.gov/library/publications/2021/demo/p60-273.html

Charlton, D., & Castillo, M. (2021). Potential impacts of a pandemic on the US farm labor market. *Applied Economic Perspectives and Policy, 43*(1), 39–57.

Chernoff, A. W., & Warman, C. (2020). *Covid-19 and implications for automation* (National Bureau of Economic Research Working Paper 27249).

Chudik, A., Mohaddes, K., & Raissi, M. (2021). Covid-19 fiscal support and its effectiveness. *Economics Letters, 205*. https://doi.org/10.1016/j.econlet.2021.109939

Clemens, J., & Veuger, S. (2021). Politics and the distribution of federal funds: Evidence from federal legislation in response to Covid-19. *Journal of Public Economics, 204*. https://doi.org/10.1016/j.jpubeco.2021.104554

CNN. (2021, November 2). *Pfizer revenue and profits soar on its Covid vaccine business*. https://edition.cnn.com/2021/11/02/business/pfizer-earnings/index.html

Cohen, J., & Rodgers, Y. M. (2021). The feminist political economy of Covid-19: Capitalism, women, and work. *Global Public Health, 16*(8–9), 1381–1395.

Cortes, G. S., Gao, G. P., Silva, F. B. G., & Song, A. (2022). Unconventional monetary policy and disaster risk: Evidence from the subprime and Covid-19 crises. *Journal of International Money and Finance, 122*. https://doi.org/10.1016/j.jimonfin.2021.102543

Couch, K., Fairlie, R. W., & Xu, H. (2020). Early evidence of the impacts of Covid-19 on minority unemployment. *Journal of Public Economics, 192*. https://doi.org/10.1016/j.jpubeco.2020.104287

De Haneu, J., & Himmelweit, S. (2021). A care-led recovery from Covid-19: Investing in high-quality care to stimulate and rebalance the economy. *Feminist Economics, 27*(1–2), 453–469.

Dingel, J., & Neiman, B. (2020). How many jobs can be done at home? *Journal of Public Economics, 189*. https://doi.org/10.1016/j.jpubeco.2020.104235

The Economist. (2021a, December 11). All mouth and no trousers. Evidence for the "great resignation" is thin on the ground. https://www.economist.com/finance-and-economics/evidence-for-the-great-resignation-is-thin-on-the-ground/21806659

The Economist. (2021b, December 18). Has the pandemic shown inflation to be a fiscal phenomenon. https://www.economist.com/finance-and-economics/2021b/12/18/has-the-pandemic-shown-inflation-to-be-a-fiscal-phenomenon

Fairlie, R. (2020). The impact of Covid-19 on small business owners: Evidence from the first three months after widespread social-distancing restrictions. *Journal of Economics and Management Studies* (29), 727–740.

Feldam, J., & Basset, M. (2021, November 23). *Variation in Covid-19 mortality in the US by race and ethnicity and educational attainment*. Jama Network Open. https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2786466

Finamor, L., & Scott, D. (2021). Labor market trends and unemployment insurance generosity during the pandemic. *Economics Letters, 199*. https://doi.org/10.1016/j.econlet.2020.109722

Financial Times. (2021a, November 23). The switching generation: US workers quit jobs in record numbers. https://www.ft.com/content/e7d35cef-0606-4843-8237-bde04528d59c

Financial Times. (2021b, November 29). FTC asks nine US for information in supply chain probe. https://www.ft.com/content/dcc05c7a-1d27-44e3-a050-9078134792d0#post-c7150280-58ba-483b-a319-8e7463a368e6

Financial Times. (2021c, December 20). Goldman Sachs reduces forecast for US growth as $1.75tn bill loses support. https://www.ft.com/content/60522e58-03a6-42ac-91af-5d6c9217ec78

Financial Times. (2021d, October 1). PwC tells 40,000 US staff they can work remotely permanently. https://www.ft.com/content/70ce4afc-395b-48ea-88cc-7d0036b41b26

Financial Times. (2022a, January 7). Hottest it's ever been': Why US labour market is stronger than it seems. https://www.ft.com/content/73c26e1b-ebf6-4dd4-9930-132c01db6929

Financial Times. (2022b, January 3). Apple becomes first $3tn company after boost from pandemic demand. https://www.ft.com/content/57f57303-82b9-49db-89ee-54888e1c714d

Financial Times. (2022c, January 28). Goldman pays chief David Solomon $35m after record profits last year. https://www.ft.com/content/b1571bdc-25f8-4e3a-a07a-3b6b07a9498e

Folbre, N., Gautham, L., & Smith, K. (2021). Essential workers and care penalties in the United States. *Feminist Economics, 27*(1–2), 173–187.

Forsythe, E., Kahn, L. B., Lange, F., & Wiczer, D. (2020). Labor demand in the time of Covid-19: Evidence from vacancy postings and UI claims. *Journal of Public Economics, 189*. https://doi.org/10.1016/j.jpubeco.2020.104238

FRED. (2021). Economic data. *Saint Louis Federal Reserse Economic Research*. https://fred.stlouisfed.org/

Ganong, P., Noel, P., & Vavra, J. (2020). US unemployment insurance replacement rates during the pandemic. *Journal of Public Economics, 191*. https://doi.org/10.1016/j.jpubeco.2020.104273

Girón, A., & Correa, E. (2021). Fiscal stimulus, fiscal policies, and financial instability. *Journal of Economic Issues, 55*(2), 552–558.

Grasselli, M. (2021). Monetary policy responses to Covid-19: A comparison with the 2008 crisis and implications for the future of central banking. *Review of Political Economy*. https://doi.org/10.1080/09538259.2021.1908778

Green, D., & Loualiche, E. (2021). State and local government employment in the Covid-19 crisis. *Journal of Public Economics, 193*. https://doi.org/10.1016/j.jpubeco.2020.104321

Gundersen, G., Hake, M., Dewey, A., & Engelhard, E. (2021). Food insecurity during Covid-19. *Applied Economic Perspectives and Policy, 43*(1), 153–161.

Harjoto, M. A., Rossi, F., & Paglia, J. K. (2021). Covid-19: Stock market reactions to the shock and the stimulus. *Applied Economics Letters, 28*(10), 795–801.

Heintz, J., Staab, S., & Turquet, L. (2021). Don't let another crisis go to waste: The Covid-19 pandemic and the imperative for a paradigm shift. *Feminist Economics, 27*(1–2), 470–485.

Humphries, J. E., Neilson, C. A., & Ulyssea, G. (2020). Information frictions and access to the Paycheck Protection Program. *Journal of Public Economics, 190*. https://doi.org/10.1016/j.jpubeco.2020.104244

Huynh, T. L. D., Foglia, M., Nasir, M. A., & Angelini, E. (2021). Feverish sentiment and global equity markets during the Covid-19 pandemic. *Journal of Economic Behavior & Organization, 188*, 1088–1108.

Jung, J., Manley, J., & Shrestha, V. (2021). Coronavirus infections and deaths by poverty status: The effects of social distancing. *Journal of Economic Behavior & Organization, 182*, 311–330.

Kolesnikova, N., & Liu, Y. (2011). *Jobless recoveries: Causes and consequences*. Federal Reserve Bank of St. Louis. https://www.stlouisfed.org/publications/regional-economist/april-2011/jobless-recoveries-causes-and-consequences

Lai, J., & Widmar, N. (2021). Revisiting the digital divide in the Covid-19 era. *Applied Economic Perspectives and Policy, 43*(1), 458–464.

Le, K., & Nguyen, M. (2021). The psychological consequences of Covid-19 lockdowns. *International Review of Applied Economics, 35*(2), 147–163.

Lee, F. S., Cronin, B. C., McConnell, S., & Dean, E. (2010). Research quality rankings of heterodox economic journals in a contested discipline. *The American Journal of Economics and Sociology, 69*(5), 1409–1452.

Leslie, E., & Wilson, R. (2020). Sheltering in place and domestic violence: Evidence from calls for service during Covid-19. *Journal of Public Economics, 189*. https://doi.org/10.1016/j.jpubeco.2020.104241

Marinescu, I., Skandalis, D., & Zhao, D. (2021). The impact of the Federal Pandemic Unemployment Compensation on job search and vacancy creation. *Journal of Public Economics, 200*. https://doi.org/10.1016/j.jpubeco.2021.104471

Merigó, J. M., & Yang, J. B. (2017). A bibliometric analysis of operations research and management science. *Omega, 73*, 37–48.

Meho, L. I., & Yang, K. (2007). Impact of data sources on citation counts and rankings of LIS faculty: Web of Science versus Scopus and Google Scholar. *Journal of the Association for Information Science and Technology, 58*, 2105–2125.

Michl, T. R. (2021). Notes on Covid-19, potential GDP, and hysteresis. *Review of Political Economy, 33*(3), 480–486.

Moos, K. (2021). Coronavirus fiscal policy in the United States: Lessons from feminist political economy. *Feminist Economics, 27*(1–2), 419–435.

New York Times. (2021, August 31). The winner of remote work. *New York Times*. https://www.nytimes.com/2021/08/31/upshot/remote-work.html

New York Times. (2022, January 26). Fed signals rate increase in March, citing inflation and strong job market. https://www.nytimes.com/2022/01/26/business/economy/fed-interest-rates-inflation.html

Rio-Chanona, R. M., Mealy, P., Pichler, A., Lafond, F., & Farmer, J. D. (2020). Supply and demand shocks in the Covid-19 pandemic: An industry and occupation perspective. *Oxford Review of Economic Policy, 36*(S_1), 94–137.

Ruiz, J. R., & Stupariu, P. (2021). A green new deal and debt sustainability for the post Covid-19 world. *International Review of Applied Economics, 35*(2), 288–307.

Sawyer, M. (2021). Economic policies and the coronavirus crisis in the UK. *Review of Political Economy, 33*(3), 414–431.

Scorsone, E., & Klammer, S. (2021). An institutional perspective on unemployment insurance programs: Historical debates and future policy reforms in the coronavirus recession. *Journal of Economic Issues, 55*(2), 509–515.

Scott, R. H., & Pressman, S. (2021). The not good society: Institutional weaknesses revealed by Covid-19. *Journal of Economic Issues, 55*(2), 477–483.

Stevano, S., Mezzadri, A., Lombardozzi, L., & Bargawi, H. (2021). Hidden abodes in plain sight: The social reproduction of households and labor in the Covid-19 pandemic. *Feminist Economics, 27*(1–2), 271–287.

Storm, S. (2021). Lessons for the age of consequences: Covid-19 and the Macroeconomy. *Review of Political Economy*. https://doi.org/10.1080/09538259.2021.1985779

Tax Foundation. (2021). *Stata and local tax burden*. https://taxfoundation.org/publications/state-local-tax-burden-rankings/

Thilmany, D., Canales, E., Low, S. A., & Boys, K. (2021). Local food supply chain dynamics and resilience during Covid-19. *Applied Economic Perspectives and Policy, 43*(1), 86–104.

Thunström, L., Newbold, S., Finnoff, D., Ashworth, M., & Shogren, J. F. (2020). The benefits and costs of using social distancing to flatten the curve for Covid-19. *Journal of Benefit-Cost Analysis, 11*(2), 179–195.

Vasileiou, E. (2021). Behavioral finance and market efficiency in the time of the Covid-19 pandemic: Does fear drive the market? *International Review of Applied Economics, 35*(2), 224–241.

Vidal, G. (2021). Recession, financial instability, social inequality and the health crisis. *Review of Political Economy, 33*(4), 711–724.

Vidal, L., & Correa, E. (2021). New limits of the neoliberalism: Society and market. *Journal of Economic Issues, 55*(2), 432–438.

World Bank. (2022, January). *Global economic perspective*. https://openknowledge.worldbank.org/bitstream/handle/10986/36519/9781464817601.pdf

Wright, A., Sonin, K., Driscoll, J., & Wilson, J. (2020). Poverty and economic dislocation reduce compliance with Covid-19 shelter-in-place protocols. *Journal of Economic Behavior & Organization, 180*, 544–554.

Yilmazkuday, H. (2021). Covid-19 effects on the S&P 500 index. *Applied Economics Letters*. https://doi.org/10.1080/13504851.2021.1971607

Ziliak, J. (2021). Food hardship during the Covid-19 pandemic and great recession. *Applied Economic Perspectives and Policy, 43*(1), 132–152.

CHAPTER 8

Economists and COVID-19: The Case of Argentina

Gabriel Brondino and Andrés Lazzarini

Abstract The chapter describes the theoretical and economic policy positions held during the pandemic by two diverging groups of economists in Argentina: on the one hand, the government's economic team and associated professional and academic economists following the structuralist/heterodox school of thought; on the other hand, a group of heterogeneous, influential domestic economists adhering to more orthodox/liberalist economic and political ideas. The analysis presented here focuses on the diverging positions and reactions around three areas: (i) whether containment measures such as lockdowns were to be adopted permanently, and if they were the most appropriate; (ii) the evaluation of

G. Brondino
Universittà Cattolica del Sacro Cuore, Piacenza, Italy
e-mail: gabriel.brondino@unicatt.it

A. Lazzarini (✉)
Goldsmiths, University of London, London, UK
e-mail: A.Lazzarini@gold.ac.uk

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0_8

the economic relief policies being implemented; (iii) how to face the issue of financing under a dollar shortage.

Keywords Argentina · COVID-19 · Economic policies · Structuralism · Orthodox economics · IMF

8.1 Introduction

In December 2019, a few weeks before COVID-19 was declared a pandemic, a new Argentine government led by a Peronist coalition was sworn in. The new administration, taking over from a centre-right alliance that had ruled between 2015 and 2019, had been elected after promising to rescue the economy from the adverse economic outcomes that had characterised the previous four years, such as a steep decline in output and employment and rising levels of inflation. Furthermore, with stagnant exports and an incipient process of import liberalisation, the lack of a persistent inflow of foreign currency led the country to sign off in 2018 a loan with the International Monetary Fund (IMF), the highest in the 70-year history of this institution.[1] It was clear that the task ahead of the new government was mammoth—and a successful negotiation with the IMF would be key for any recovery plan.

Alas, the COVID-19 pandemic hit Argentina in March 2020 and disrupted any plans to put the economy back on the path to recovery. Even though negotiations with the IMF and international stakeholders in early 2020 had shown positive signs of leading to better terms for the country, the pandemic radically changed the country's economic priorities. The latter, under the new context, turned out to be profoundly different, aiming for measures to mitigate the most negative consequences of the pandemic, which other countries had already started to undergo. Negotiations with the IMF would only resume in late 2021.

How to cope with COVID-19? With no proven cures, treatments or vaccines available in March 2020, the world was doomed to carry on in total uncertainty. The new administration focused on the improvement and enhancement of the health system, and the policies it implemented

[1] The 2018 IMF loan was for US$57 billion; for further details see footnote 19.

were those typical of a war economy: to shut borders, to restrict movements of persons and goods to the essential minimum, to rapidly increase payments to the most vulnerable families, to provide finance for private firms to allow them to keep their employees, to implement a universal allowance for anybody without a proper job. As expected, the economy halted due to the combined effects of supply and demand constraints. National debate revolved around the extent and intensity of the above measures, which centred around three areas: (i) whether containment measures such as national lockdowns and closing borders were to be adopted permanently, and if they were the most appropriate; (ii) the evaluation of the economic relief policies being implemented; (iii) analysis presented by national economists around the issue of financing under a dollar shortage.

This chapter aims to map out the broad theoretical and economic policy positions held by some economic experts in the public debate during the pandemic. It discusses the diverging positions and reactions around the three areas listed above by the government's economic team and associated professional and academic economists broadly following the structuralist/heterodox school of thought, on the one hand, and a group of heterogeneous, influential domestic economists adhering to more orthodox/liberalist economic and political ideas, on the other.

Section 8.2 provides an overview of the macroeconomic trends just before the pandemic hit the country, while Sect. 8.3 offers a description of the policies put in place to cope with the pandemic. Section 8.4 discusses the reception and assessment of these policies by the economic experts who dominated the public realm during the pandemic. Section 8.5 offers some concluding remarks.

8.2 Macroeconomic Background

The onset of the COVID-19 pandemic found the Argentine economy in a fragile, vulnerable macroeconomic context. The economy was undergoing a slump due to successive devaluations and restrictive fiscal and monetary policies put in place during 2018 and 2019.

At the end of 2015, a new administration with a pro-market ideology had taken office under the leadership of Mauricio Macri. This administration's key economic goals were to reduce inflation (which was hovering around 25% in 2015) and to increase the output growth rate (which had averaged 0.4% annually over the previous four years). One of the most significant institutional reforms then attempted was the complete deregulation of the capital account and the removal of all types of capital controls in place. Macri's economic team considered that these measures would increase the inflow of investments—and, therefore, the supply of foreign currency.

The economic team thought they could reduce inflation by reducing or eliminating the budget deficit and avoiding its monetisation. Lowering inflation would alleviate the demand for foreign currency (basically, American dollars). The alternative they chose to finance the gradual fiscal deficit reduction was to issue debt. In the expected scenario of an excess of dollars, the administration thought that issuing debt in foreign currency made more economic sense. With a stable exchange rate, it would have a lower fiscal cost than debt issued in the domestic currency, the Argentine peso (De Lucchi & Vernengo, 2019).

However, to access the international capital markets it was necessary to settle a legal dispute with international hedge funds (or 'vulture' funds). These investment pools owned defaulted sovereign bonds from 2001 that held out from debt restructuring negotiations after 2001; the investment pools demanded full payment of the bonds' face value. At the beginning of 2016, the Macri administration agreed to pay without attempting any negotiation, contrary to what the previous administration had tried in the wake of the 2001–2002 financial crisis. After the 2016 agreement, a sustained indebtedness in foreign currency lasted until the first quarter of 2018. At that point, Argentina exited the international capital markets and experienced the first run against its currency (Bortz et al., 2021). Through other means, the debt process would continue.

In June 2018, the Macri administration signed a stand-by agreement with the IMF. This agreement established the customary conditions of fiscal adjustment, tightened monetary policy and the setting-up of a floating exchange rate regime. The economic team hoped the deal would reduce market uncertainty, restore confidence and allow a return to a stable growth path. However, as Bortzet al. (2021) argue, foreign investors interpreted the agreement as an opportunity to close their financial positions denominated in Argentine pesos and withdraw their investments in dollars. The capital flight speeded up, and the Argentine peso continued to depreciate throughout 2018.

Successive depreciation of the currency and low debt rollover rates forced a renegotiation of the agreement with the IMF, then a further toughening of fiscal and monetary policies. As it is well known, in small, open economies with unbalanced productive structures such as Argentina's, currency devaluations shrink the economy because of their regressive impact on income distribution (Diamand, 1973).

In this type of economy, the bulk of imports consists of raw materials, fuel and semi-elaborated products, which are difficult to substitute in the short term by national production and, therefore, are essential to keep domestic production functioning. Most exports have their origin in the primary and natural resource sectors because domestic manufacturing industries' production costs are greater than the average international prices for the same products. Agricultural supply does not react immediately to a devaluation since the increase in the yield per land unit requires long-term investments. In general, currency devaluation brings mixed results.

Devaluation increases the domestic currency value of imported inputs and so raises the production cost of manufacturing goods. Part of this increase is transferred on to the final sale price. This phenomenon is known as the propagation effect. It increases the domestic price of agricultural products because exporters tie its domestic value to their earnings in international markets. This outcome is called the dragging effect. In Argentina, whose main export products are staples (like cereals, soybeans and beef), the latter effect is significant because the products are relevant in the population's consumption basket. The inflationary impact of both effects increases the cost of living and, consequently, reduces the purchasing power of wages. This income loss is transferred to exporters and landowners. The regressive income distribution induces a fall in global consumption and, ultimately, a recession.

A decrease in demand for manufacturing goods hinders the chances of domestic firms to transfer the increase in production costs on to final prices, so profitability declines. The degree of capacity utilisation decreases, and firms put on hold their investment projects in the face of adverse expectations, thus exacerbating the recession. Argentina went through this regressive process in 2019, and this was aggravated by the IMF's conditions of tight fiscal and monetary policies.

Unlike previous experiences, when devaluations resulted from the country's inability to finance the current account deficit in the balance of payments, the currency crisis in 2016–2019 resulted from complete deregulation of the capital account. Therefore, devaluation pressures persisted even during a slump, with an abrupt reduction in the current account balance.[2] The increase in capital flights after losing the election in October 2019 forced the Macri administration to reintroduce capital controls.

The new administration that took office in late 2019 inherited a stagnating economy facing huge challenges, such as high inflation, increasing unemployment and rising poverty. Furthermore, the economy faced payment maturities of previously contracted debt without access to capital markets. The need to reactivate the economy and increase real income seemed to conflict with the imperative of raising reserves to meet these payments and avoid default.

8.3 The Policy Response to COVID-19

Immediately after COVID-19 was declared a pandemic in March 2020, the Argentine national administration decreed a strict lockdown throughout the country. At that time, while infections in the country were still quite low, the government concentrated their economic efforts on improving and adapting the health system to face the uncertain scenario that COVID-19 brought.[3] The primary purpose of this was to flatten the contagion curve by preventing people from leaving their houses, thus avoiding further infections.[4] The lockdown specifically included:

- stringent quarantine
- shutting down of non-essential activities
- closing of borders
- suspension of almost all commercial flights until the end of September 2020.

[2] From –5.2% to –0.8% points of GDP between 2018 and 2019.

[3] It is worth noting that in 2015 the administration downgraded the post of National Health minister to that of National Health secretary, only to return its ministerial status in 2019.

[4] Cases rose sharply during the long wave in 2020 as well as the shorter wave in March–July 2021. As of 18 February 2022, after the Omicron variant reached the country at the start of 2022, positive cases in Argentina hit 193,918 per million people, while the death rate per million people was 2,755. Source: https://COVID19.who.int/region/amro/country/ar, accessed 22 February 2022.

Like the rest of the world, these measures had a severe economic impact, leading to both supply and demand problems. All non-essential firms affected by these measures were unable to produce or deliver services, as people were requested to work from home, except for a few jobs that were considered 'essential'. Thus, production was severely hit. Under this scenario, firms put investments on hold, shut down their businesses, or—at most—kept them operating at minimum capacity. Further, firms were not allowed to lay off workers when these special conditions were in place. However, due to the shutdown of non-essential activities (such as leisure businesses, shopping outlets, hospitality, etc.), a large part of the country's income plummeted and consumption fell drastically, ensuing a sharp drop in aggregate demand.

The Argentine workforce composition is not homogenous. It is estimated that over a third of the working-age population is self-employed (around 4.5 million people; INDEC, 2021), normally in small businesses working under unstable conditions. Many are not registered with the national social security agency (Administración Nacional de la Seguridad Social, or ANSES). These jobs range from street vendors and small shopkeepers to self-employed service providers (plumbers, handymen, tree surgeons, etc.). Since almost all these incomes are tied to daily activity, the lockdown measures severely impacted on this large group of workers (known as *trabajadores informales* in Argentina). In the context of the new restrictions to delay the spread of COVID-19, several mitigation measures were implemented, focusing on easing the economic burden suffered by these groups of people. To that end, the government provided financial assistance to firms and households as part of a comprehensive fiscal package (Ministerio de Economía, n.d.). This essentially included:

- Emergency household allowances (circa US$100, targeted at the self-employed, domestic personnel and recipients of Child Universal Credit).
- Tax reliefs and subsidies for firms to avoid layoffs. This was known as the Emergency Assistance Programme for Work and Production (ATP), and it put on hold or reduced up to 95% of firms' pension contributions; included a supplementary salary funded by the government; and zero-rate credit for autonomous and self-employed workers.
- Targeted bonuses for health workers, senior citizens and police and military officers.

- Freezing of housing rents and prohibition of eviction, both until March 2021.
- Suspension of cutting off of public utilities due to non-payment (this measure covered micro, small and medium-sized firms [MSMFs] producing food).
- A previous law passed in 2019 was extended into 2020 and 2021, establishing a National Food Emergency. This set up a special compensation regime for the food production and distribution sector so that domestic prices were capped to guarantee broad access by population.
- Credit facilities to finance consumption.

In addition, the central bank implemented a series of measures during the COVID-19 pandemic. Credit lines aimed at small and medium-sized firms were put in place, as well as low-interest credit facilities. Financial support to pay wages for staff of MSMFs was also implemented, while fees for ATM transactions were dropped (BCRA, n.d.).

Taxation on the richest was suggested very eagerly by the government during 2020, and later that year, a bill to that effect (taxing physical or juridical persons with wealth of over US$2.1 million) was passed. The law was implemented in January 2021, and the government levied more than US$2.4 billion through taxation of more than 10,000 national citizens. Although there was huge opposition to the bill from some people who were liable to pay this tax, the administration managed to collect 77% of the total amount originally aimed for. This revenue was used for medical equipment (20%), subsidies to MSMFs (20%), student grants (20%), social developments (15%) and natural gas projects (25%) (BBC News Mundo, 2021).

As the government's focus was to strengthen the national health system, it was clear that, within the context of lockdown and plummeting tax income, the key funding source in national currency would be the central bank. The bulk of the financialisaton of national expenditure for most of 2020, in the context of several years of fiscal deficit (5% of GDP), was gain transfers and temporary advances (*adelantos transitorios*) from the central bank to the national treasury (Gasparín, 2020). While this source of financing changed slightly in the first half of 2021 as more austere monetary attitudes were adopted by policy-makers (Strasnoy Peyre, 2021), towards the end of the year that policy was strengthened as the mid-elections approached (Equilibra, 2021). Although a few financing channels were available to Argentina through development banks, this was only a tiny share of the total finance needed (Cipoletta Tomassian & Abdo, 2021). Understandably, therefore, given the shutting of capital markets and the unresolved situation with the IMF loan, the national government financed itself via the central bank. The ultimate purpose was—and this was clear from the beginning of the pandemic—to use financial means to mitigate the effects of the disease, attempting to minimise the number of deaths even at the cost of increasing poverty.[5] Indeed, as unemployment rose from 9.9 to 11.7% between 2019 and 2020 then fell to roughly 9% from 2020 to 2021,[6] the poverty rate (for individuals) rose from 35.5% in the second half of 2019 to 42% for the second half of 2020 (INDEC, 2020). In 2021, despite an estimated increase in real GDP of 7.5% (International Monetary Fund, 2021), the poverty rate decreased a little, to 40.6%.[7]

Extraordinary circumstances demanded extraordinary measures. These not only impacted on economic variables but also gave rise to economic discussions about the suitability and soundness of the mitigation measures. Debates about these policies emerged as early as April 2020 and extended into 2021—a year of mid-term elections. Against the general background described thus far, it is worth discussing how different economists and experts assessed the effects of such policies on both immediate and long-term economic problems.

8.4 Reception, Assessments and Debates on COVID-19 Policies

At the risk of excessive generalisation, two broad intellectual traditions have shaped and inspired economic policy-making in Argentina. The first is dubbed liberalism[8] and the second is structuralism (Ferrucci, 1984).

[5] President Fernández said in an interview in April 2020 that he would prefer to have 10% more poor people than 100,000 deaths. https://www.youtube.com/watch?v=WE3X6Uo57AI, accessed 22 February 2022.

[6] Data retrieved from INDEC (2021) and https://datos.gob.ar/dataset/sspm-principales-variables-ocupacionales-eph-continua-desempleo/archivo/sspm_45.2, accessed 1 March 2022.

[7] Data retrieved from INDEC: Instituto Nacional de Estadística y Censos de la República Argentina, accessed 22 February 2022.

[8] To avoid misunderstanding, we use the adjective 'liberalist' throughout the text to refer to advocates of this stream of thought.

This chapter argues that the influence of both traditions was perceived in debates around the policies related to COVID-19. Therefore, the distinction serves to group opinions by influential economists accordingly. Prior to summarising the debates, we briefly describe both intellectual traditions.

The liberalist model dominated national economic policy-making between the end of the nineteenth century and the beginning of the 1940s. However, liberalist ideas and their influence on policy-making did not disappear; their hegemony may have ended then, but they have remained relevant in ideological debates.

The central view on the economic development of the liberalist model is the country's specialisation in the global economy as a primary sector producer. This strategy was accompanied by a set of 'orthodox' policies like adherence to the Gold Standard,[9] maintaining a balanced fiscal budget and minimising the role of the government in economic activity. The process of development during this period brought a substantial transformation in Argentina's social and political structure. The two world wars and the Great Depression of the 1930s, along with the sweeping changes in the social structure during this period, put the liberal model in difficulties. Facing complications related to selling commodities overseas and growing difficulties in purchasing imports, the country was under pressure to pursue (and reflect upon) an alternative development strategy. Coupled with this pressure was the growing disbelief that markets self-regulate. This context gave rise to the influence of new ideas in economic policy-making, which were later dubbed as structuralist ideas.

Structuralism was influenced (not always consistently) by Keynesianism, Marxism, economic programming (e.g. Leontief's input–output analysis) and 'high development theory'.[10] The fundamental principles of the structuralist approach are that markets are subject to several failures, and that government must intervene in the economy to correct them. Argentine structuralists think that the 'agro-export' model makes the economy extremely vulnerable to economic shocks and creates insufficient jobs. The alternative is to develop industrial activities that increase overall productivity and absorb surplus labour. Since these activities take

[9] Although the currency was inconvertible during several periods.

[10] Hirschman (1958) and Rosenstein-Rodan (1943).

time to become profitable or compete internationally, the government has to deploy policies oriented at nurturing and developing them.

These opposing views on the development strategy and its associated policies have continued in public discussion up to today. Indeed, they can be perceived in the debates surrounding COVID-19 policies. Liberalist economists disliked extreme restraining measures (e.g. lockdowns) because of their effects on the economy, and they worried about the sustainability of a high fiscal deficit, whereas structuralist economists defended restrictive measures beyond public health reasons and argued in favour of an active fiscal policy. Additionally, they warned about the effects of excessive liquidity in an economy with a dollar shortage. The current Finance Minister, Martin Guzman (who has a Ph.D. from Brown University, and then wroked at Columbia with Joseph Stiglitz), arguably belongs to this tradition.

In the following sections we attempt to illustrate how this clash emerged around debates on policies to face COVID-19.

Debates on Non-pharmaceutical Interventions

One angle that the debate took was different reflections on the impact of non-pharmaceutical interventions. While liberalists cluster the issues at stake within the limits of a general dilemma between 'the economy vs public health', economists with a structuralist orientation considered this a false dilemma. Let us begin with the first group.

The gist of the liberalist position regarding lockdown measures revolved around the negative impact on the economy of extending the period of restrictions for more than seven months (March–September 2020). Indeed, while some of these economists acknowledged that the restrictions were essential to boost the health system in the first few months, they harshly criticised the extensions to lockdown. Victoria Giarrizzo, from the Instituto Interdisciplinario de Economía Política de Buenos Aires (the Interdisciplinary Institute of Political Economy of the University of Buenos Aires), argued that the lockdown created 'serious economic damage', putting the economy and informal workers specifically at severe risk. Giarrizzo argued that although the country did not see a huge increase in unemployment in the short term, thanks to the fiscal policy in place (see Sect. 8.2), these measures would have to be scrapped eventually because they harmed Argentina's appeal to foreign businesses in the long term (Costabel, 2020). Wrapped in the 'economy vs health' dilemma, Giarrizzo holds that both phenomena have a distinct temporal nature and that, in the long term, it is the former that most benefits the population, as health problems should be sorted in the short term.

In the same breath, Enrique Szewach, a director of Argentina's central bank during the Macri administration (2015–2019), argued that 'the extension of the limitations to economic activity worsened' the already deteriorating economy due to the restrictions. He further held that the situation would be exacerbated by the lack of access to debt and low savings. The situation of the most affected in Argentina could only be eased by increasing public spending financed by the central bank. Although Szewach timidly praised the fiscal measures implemented to alleviate the poorest and most deprived sectors of the population,[11] he acknowledged that financial help had not reached some of the small businesses that did not sell their products through e-commerce. Therefore, he stressed, the government aid was 'quite inefficient'. As the restrictions dragged on in 2020, this worsened this scenario (Costabel, 2020).

A more direct and critical stance among experts of liberalist orientation against the official policies can be found in the view held by Jorge Colina (director of think tank IDESA: Institute for Social Development in Argentina). Writing in mid-2021, he reflected on the effectiveness of the policies by comparing statistics on deaths (the health side of the dilemma) and poverty (the economy side of the trade-off) for Argentina, Chile and Uruguay. Since the Argentine government had implemented restrictions for seven months from March 2020 with the aim of minimising the health impact, and since the two other countries ran more focused and sector-oriented lockdowns, it was no news, according to this expert, that the increase of poverty in Argentina (+7%) was higher than in Uruguay (+4%) and Chile (+2%). What Colina also highlights is that the death rate per million people (by August 2021) was higher in Argentina (2,300) than in the other two countries (Uruguay: 1,700; Chile: 1,800). He concluded that Argentina did not actually prioritise health over the economy and, somewhat counterfactually, that the same result would have been achieved had the government prioritised the economy over health. According to Colina, the root of this negative outcome was the lack of a comprehensive

[11] The economist commented that 'emergency income to complement the pre-existing subsidies has been relatively effective'.

plan. He blamed the 'improvised' nature of the measures taken (Colina, 2021).

Roughly similar positions were taken by other notorious economists (who often appear in the media), such as Juan Carlos de Pablo (from the University of CEMA; see also Sect. 8.3), Ricardo Lopez Murphy (government finance minister in 2001, and former chairman of Liberal Network for Latin America, RELIAL),[12] and Andres Neumeyer and Constantino Hevia (both from the Department of Economics at Di Tella University).[13]

On the other side, economists and experts belonging to the structuralist economic tradition defended, somewhat differently, the government's measures to mitigate the impact of COVID-19 on the economy.

Emmanuel Agis, former finance deputy minister (2013–2015) and a well-known heterodox economist who often wrote in the Argentina media, became one of the staunchest defenders of the official policies from the very early days of the pandemic. Challenged by the too-often-spread dilemma 'health vs economy', Mr. Agis did not hesitate to confront it in the press. First, like other heterodox local economists,[14] he argued that the dichotomy is 'entirely fallacious'. If a society does not enjoy a minimum standard of good health, firms risk not having the workforce necessary to run factories and shops. So, his argument goes, health comes before the economy as the latter depends on the former.[15] Second, he held that, even if the dilemma were not misplaced, he (and the

[12] See Unidiversidad (2021).

[13] For example, they wrote: 'However, [government borrowing from the central bank] is an effective measure only if it is employed once and for all, for it cannot be sustained in time without creating further inflation' (Neumeyer & Hevia, 2020).

[14] Many local heterodox economists are currently working for the national finance ministry and the Argentine central bank as well as other government-linked think tanks such as CESO, German Abdala Foundation and others (see Sect. 8.3). Further, those not working directly for the government are academically associated with the public Universities of San Martin, Moreno, Quilmes and General Sarmiento, which are all in the Greater Buenos Aires area.

[15] In this connection, a theoretical reflection defending the measures to mitigate COVID was presented by Eduardo Crespo (University of Moreno and University of Rio de Janeiro) and Ariel Dvoskin (University of San Martin, Argentina's Central Bank), which backs up Agis's position. Crespo and Dvoskin (2020) argued that healthcare is a 'basic commodity' in Sraffa's terminology (Sraffa, 1960). Basic commodities enter directly or indirectly in the production of *all* commodities. Since economic activities require a healthy workforce, then healthcare is as 'basic' as energy provision for the normal functioning of the economy.

government) would favour health over the economy. This reflects the much-defended orientation of the national government during the heated early weeks of the pandemic (Álvarez Agis, 2020).

From the viewpoint of economic ideas, it is worth mentioning Agis's use of Keynes' essay *How to Pay for the War?*, originally published in 1939. In this essay, Keynes set out a detailed plan for the UK heading to the Second World War. Keynes saw that the real challenge the UK was facing was to meet an economy in full employment. Agis denied that the Argentine economy was in full employment, but argued that one of the 'key inputs' in the domestic economy was 'fully employed': American dollars. As mentioned above, the structuralist approach sees the lack of foreign currency as the primary constraint for growth. In a historical comparison, Agis argued that, after COVID-19, the economy would enjoy a dollar surplus due to the restrictions in place, which, together with the global shutdown in trade and international flights, gave rise to a drastic drop in demand. This surplus would help the strategy pursued by the government to flatten the infection curve and boost the health system.

Bringing in Keynes (2010[1939]) helped Agis defend the government's war-like economic policies. Indeed, Agis advocated for direct government control over health equipment (ventilators, personal protective equipment, medicines, etc.) by jointly planning to purchasing for public and private health systems. Furthermore, he defended price controls on food and other necessities (see Sect. 8.3) on the grounds that these resources are essential, so the government must guarantee them to most of the population, especially the worst affected people.

However, Agis considered that the isolation and restrictions would continue, if not forever, at least for an extended period. He noted that 'while social isolation lasts, the only demand that could be guaranteed as long as the fiscal stimulus is sufficient, will be food and medicine. [...] The unique economic actor that will be in condition to purchase something will be the government'. This position was strongly opposed by the liberalist experts.

The Fiscal Policy Response: Excessive or Not Enough?

Debates on COVID-19 policies centred around the expansionary fiscal measures taken. For some economists, the fiscal measures were deemed to be adequate, but for other experts, they were at most a hesitant response to the pandemic. Still others stressed the narrow fiscal space to sustain these expansionary measures.

Once again, let us take Emmanuel Agis's stance—a relevant representative of the community of domestic heterodox economists. As discussed above, Agis brought in Keynes (2010[1939]) to argue in favour of massive fiscal expansion and government controls. Indeed, Keynes had argued that expenditure for the war and for domestic consumption had to be balanced. To that goal, Keynes envisaged four mechanisms through which the government could plan such a balance: (i) universal transfers, (ii) forced savings, (iii) an allowance for necessities, (iv) a tax on capital for the post-war period. Agis, in turn, argued that Argentina had already created forced savings due to the restrictions in place, while he did not see room for a tax on capital. Policies (i) and (iii) were put in place at the beginning of the pandemic (see Sect. 8.3). Agis maintained that these measures were the correct policies to best protect those most in need. However, at the same time, he argued that the government might run the risk, when making direct money transfers to the most in need, of falling short of what was needed to keep up with domestic demand. In fact, Mr. Agis held that the 'government's economic stimulus is unbalanced: a lot of ineffective monetary policy, and little of effective fiscal one' (Álvarez Agis, 2020). Agis distrusted the monetary policy package because it could not impact an economy with an underdeveloped financial market like Argentina (e.g. increasing private credits for consumption). Instead, he argued for a more significant fiscal stimulus. Since, in his view, the COVID-19 crisis would leave the country with a surplus of dollars, there was plenty of room for government spending.

Naturally, while accepting the fiscal measures in place as the correct short-term emergency policy, another group of economists cast serious doubt on the possibility of these fiscal measures being sustainable over time. Interestingly, economists belonging to both approaches held such views.[16] For example, Ricardo Carciofi (a leading researcher in economic development at the think tank CIPPEC, Centre for the Implementation of Public Policies for Equity and Growth) argued that fiscal measures such as public works and housing had delayed effects on the economy. More importantly, he stressed that the fiscal costs, in the long run, would impact the public budget, thus affecting a 'better allocation of public funds'

[16] E.g. Martin Rapetti holds that Argentina needs the domestic currency to be valued low to boost exports, and warns of the evils of fiscal expansionary measures (Sticco, 2020).

(Carciofi, 2020). According to this economist, while Argentina reacted positively in the face of the pandemic with war-like economic measures, at the same time, he pointed out that the reduced fiscal and monetary spaces would limit the scope of these policies (Radonjic, 2020). Concomitantly, economists Martin Rapetti (also from IIEP) and Giarrizzo, introduced above, argued that the fiscal measures financed by the active monetary policy were very much oriented to protecting the people at the expense of overlooking the business sector, which required more help to overcome the crisis (Costabel, 2020; Infobae, 2020).

Active Monetary Policy Under Dollar Shortage

As discussed in Sect. 8.3, the fiscal package to face the pandemic was primarily funded by monetary financing. As expected, this practice raised some concerns among liberalist economists. Based on Friedman's monetary theory, they claim that excessive 'money-printing' inevitably leads to increasing inflation.

However, it was challenging to empirically sustain the claim in an economy undergoing a recession, with soaring unemployment and meagre capacity utilisation levels. The intense monetisation process could have hardly created excessive demand in goods markets to raise prices. More sophisticated arguments did not rely exclusively on this transmission mechanism, focusing instead on the effects of monetary financing in the foreign exchange market. Juan Carlos de Pablo argued that if the money supply grew faster than the demand for money, the excess would buy US dollars. The pace of exchange rate depreciation would accelerate, thus increasing prices. In this argument, the causality continues to go from 'money-printing' to inflation.

Throughout the third quarter of 2020, there was substantial pressure in the foreign exchange market. To avoid high depreciation rates and the loss of reserves, the central bank reinforced capital control measures beginning in the fourth quarter. However, these measures were not able to stop the drain of reserves because they increased the gap between the regulated exchange rate and other market-determined exchange rates,[17] raising devaluation expectations. Widening the exchange rate gap also limited dollar inflows through the official exchange rate. Expecting a

[17] These include both the implicit exchange rate for buying assets in pesos and selling them in dollars in foreign markets, and the black-market exchange rate.

higher exchange rate value, grain exporters did not liquidate crop stocks while firms delayed and, if possible, underbilled their exports. Additionally, firms producing for the domestic market anticipated and overbilled their imports as much as possible. This resulted in further loss of reserves and continued pressure related to currency devaluation.

Juan Manuel Telechea, director of the Economy and Labour Institute of the German Abdala Foundation, identified the measures taken by the central bank to expand liquidity (Telechea, 2020) as the root of the problem.[18] In addition to financing increased government expenditure and transfers, the central bank set a cap on the stock of *leliqs*—a short-term peso-denominated debt instrument—that commercial banks could keep in their portfolio. The central bank expected to raise loanable funds to the production sector. Liquidity in the banking system indeed increased. However, due to high uncertainty at the dawn of the pandemic, commercial banks did not want to loan to firms and firms did not want to borrow money. Instead, the increasing liquidity lowered the interbank rate. There lay the 'original sin', according to Telechea, of the growing pressure in the foreign exchange market. Lower bank rates affected this market in three ways: cheaper funding for speculative leverage; the rebalancing of portfolios because of lower returns in peso-denominated assets; and increased devaluation expectations that turn into a self-fulfilling prophecy (OCEPP, 2020). Telechea drew two main lessons from his analysis. First, the management of liquidity in the banking system is crucial for the exchange rate dynamics. Second, monetary policy was not an adequate tool to boost economic activity; fiscal instruments were more effective.

8.5 Concluding Remarks

In March 2022, the Argentine government has signed an outline deal with the IMF to restructure US$44.5 billion of its total debt (US$57 billion). While the agreement has yet to be confirmed by the IMF executive board and the Argentine government, some economists have argued that it is a recognition of earlier errors made by the financial institution back in 2018. True, the agreement will imply a series of payments over the

[18] See https://centraldeideas.blog/administracion-de-la-liquidez-durante-la-pandemia/, accessed 22 February 2022.

next few years which will further overstrain the Argentine economy[19]; at the same time, it does not, in principle, entail the classical IMF-oriented policies of diminishing social expenditure, privatisations, labour market and pension reforms. In that sense, this is indeed a novelty in the IMF's long history of financing developing countries with its facility loans. The national administration—not without cracks within the governing coalition—has presented this deal as a new form of relationship with the IMF. Domestically, rising inflation has not been weathered well, and while the economy grew in 2021 the reduction in poverty was meagre. The government was hit in the mid-term elections with a swing to the centre-right coalition in most big cities and districts. We believe that the policies implemented to mitigate COVID, and their effects, influenced the outcome of this election.

The government has swayed on the 'health' side of the 'health vs the economy' dilemma since the early days of the pandemic, arguing in favour of saving lives at the cost of increasing poverty. These measures dragged on for more than seven months in 2020, and in 2021 several more restrictions were put in place from March to June. True, Keynesian-oriented fiscal and monetary policies had helped an already stagnant economy get through the last two years, by helping the poorest members of the population through income allowances as well as by enjoying surplus dollars in 2020. The debate between liberalist and structuralist economists has centred on the strength, accuracy and effects of the measures to mitigate COVID-19.

Stimulus packages of various kinds have been the issue of contention. Liberalist economists argued that these policies should only be part of a robust orthodox-oriented budgetary plan for the short term, while easing restrictions in time to guarantee to bring the economy back to business as usual. They argued that money-printing and excessive public spending were the culprits behind rising inflation, and that these were at the root of all the country's socioeconomic problems. The reaction from government officials and some heterodox economists linked to them, however, has not been unanimous, although all recognised that any further fiscal expansion would fail due to the lack of dollars in 2021, thus increasing inflation. In a reaction to this new dilemma, the official policy has apparently been

[19] See https://www.ft.com/content/9ac4d53c-fafe-4e08-969d-d2ae927bc912, accessed 22 February 2022.

to start freezing (not decreasing) social expenditure and monetary expansionary policies, while attempting to increase the public fiscal surplus to meet forthcoming payments if the deal with the IMF is ratified.

Far from saying that this debate is over, the battle over broad economic ideas from which to derive policy measures has seemed to be weighted on the side of caution and moderation, indicating that the more orthodox-oriented economists of the debate, both within and outside the national administration, would presumably have prevailed—at least for the next few years. If this is the case, then it will become apparent that ideas and ideologies cross over from one school of economic thought to another.

References

Álvarez Agis, E. (2020, March 29). *Cómo pagar la guerra contra el COVID-19*. Cenital. https://cenital.com/como-pagar-la-guerra-contra-el-covid-19/

BBC News Mundo. (2021, January 30). *COVID-19 en Argentina: entra en vigor el impuesto a la riqueza para combatir los efectos de la pandemia*. BBC. https://www.bbc.com/mundo/noticias-america-latina-55199876

BCRA. (n.d.). *Coronavirus COVID-19*. Retrieved 8 February 2022, from https://www.bcra.gob.ar/noticias/coronavirus-bcra-i.asp

Bortz, P. G., Toftum, N., & Zeolla, N. H. (2021). Old cycles and new vulnerabilities: Financial deregulation and the Argentine crisis. *Development and Change, 52*(3), 598–626. https://doi.org/10.1111/dech.12646

Carciofi, R. (2020, March 18). *El impacto de las medidas económicas*. CIPECC. https://www.cippec.org/textual/covid-19-medidas-economicas/

Cipoletta Tomassian, G., & Abdo, T. (2021). *Financiamiento de la banca de desarrollo en el marco de la crisis del COVID-19 en América Latina y el Caribe* (No. 272; Financiamiento para el Desarrollo). Naciones Unidas.

Colina, J. (2021, August 4). Argentina aumentó más la pobreza y sufrió más muertes por Covid que Chile y Uruguay. *El Economista*. https://eleconomista.com.ar/economia/argentina-aumento-mas-pobreza-sufrio-mas-muertes-covid-chile-uruguay-n45256

Costabel, M. (2020, August 27). *Argentina's Economy Crumbles as Buenos Aires Lockdown Continues*. Foreign Policy. https://foreignpolicy.com/2020/08/27/argentina-economy-crumbles-buenos-aires-lockdown-continues/

Crespo, E., & Dvoskin, A. (2020, May 9). *El falso dilema entre salud y economía*. El País Digital. https://www.elpaisdigital.com.ar/contenido/el-falso-dilema-entre-salud-y-economa/26828

De Lucchi, J., & Vernengo, M. (2019). Cambiemos y el retorno del monetarismo como doctrina social en la Argentina. *Márgenes, 5*(5), 21–33.

Diamand, M. (1973). *Doctrinas económicas, desarrollo e independencia : economía para las estructuras productivas desequilibradas*. Paidós.

Equilibra. (2021, August 24). *La base monetaria toma velocidad en la recta final hacia las elecciones*. Equilibra. https://equilibra.ar/la-base-monetaria-toma-velocidad-en-la-recta-final-hacia-las-elecciones/

Ferrucci, R. (1984). *Liberalismo y estructuralismo en la Argentina contemporánea*. Tesis.

Gasparín, J. (2020). *Las cuentas públicas de la Administración Pública Nacional argentina en tiempos de COVID-19*. CIPPEC.

Hirschman, A. (1958). *The strategy of economic development*. Yale University Press.

INDEC. (2020). *Incidencia de la pobreza y la indigencia en 31 aglomerados urbanos. Segundo semestre de 2020* (Condiciones de Vida, Vol. 5, Issue 4). Instituto Nacional de Estadísticas y Censos (INDEC).

INDEC. (2021). *Mercado de trabajo. Tasas e indicadores socioeconómicos (EPH). Tercer trimestre de 2021* (Trabajo e Ingresos, Vol. 5, Issue 8). Instituto Nacional de Estadísticas y Censos (INDEC).

Infobae. (2020, April 3). *Martín Rapetti: 'El rol de la política económica ahora es redistribuir los costos de la pandemia'*. Infobae. https://www.infobae.com/economia/2020/04/03/martin-rapetti-el-rol-de-la-politica-economica-ahora-es-redistribuir-los-costos-de-la-pandemia/

International Monetary Fund. (2021). *World economic outlook: Recovery during a pandemic—Health concerns, supply disruptions, price pressures*.

Keynes, J. M. (2010 [1939]). How to pay for the war. In *Essays in Persuasion* (pp. 367–439). Palgrave Macmillan UK. https://doi.org/10.1007/978-1-349-59072-8_27

Ministerio de Economía. (n.d.). *Medidas Económicas COVID-19*. Retrieved 8 February 2022, from https://www.argentina.gob.ar/economia/medidas-economicas-COVID19

Neumeyer, P. A., & Hevia, C. (2020, April 1). Los dilemas económicos que plantea el coronavirus. *La Nación*. https://www.lanacion.com.ar/opinion/los-dilemas-economicos-plantea-coronavirus-nid2349720/

OCEPP. (2020). *Agenda Mayo 2020*. Observatorio de Coyuntura Económica y Políticas Públicas. https://54048a22-866f-4913-92c2-06a81953ecaa.usrfiles.com/ugd/54048a_90712899f0c74c5e91b5085b98db7950.pdf

Radonjic, A. (2020, March 27). Carciofi: 'En general, las medidas económicas del gobierno están bien orientadas'. *El Economista*. https://eleconomista.com.ar/economia/carciofi-en-general-medidas-economicas-gobierno-estan-bien-orientadas-n32859

Rosenstein-Rodan, P. (1943). Problems of industrialisation of Eastern and South-Eastern Europe. *Economic Journal, 53*(210–211), 202–211.

Sraffa, P. (1960). *Production of commodities by means of commodities*. Cambridge University Press.

Sticco, D. (2020, July 26). *Martín Rapetti: 'Me gustaría un régimen cambiario de flotación administrada que desincentive la dolarización'*. Infobae. https://www.infobae.com/economia/2020/07/26/martin-rapetti-me-gustaria-un-regimen-cambiario-de-flotacion-administrada-que-desincentive-la-dolarizacion/

Strasnoy Peyre, J. (2021, May 11). *Tope de emisión: el Banco Central podrá girarle hasta $1,4 billones al Tesoro en 2021.* https://www.ambito.com/economia/bcra/tope-emision-el-banco-central-podra-girarle-14-billones-al-tesoro-2021-n5191385

Telechea, J. M. (2020, October 21). *El pecado original*. Cenital. https://cenital.com/el-pecado-original/

Unidiversidad. (2021, April 15). *Lopéz Murphy: 'Las medidas económicas son pequeñas y no atendieron los desequilibrios que hay'*. Unidiversidad. https://www.unidiversidad.com.ar/lopez-murphy-las-medidas-economicas-son-pequenas-y-no-atendieron-los-desequilibrios-que-hay

CHAPTER 9

Economic Policy and Economic Research in Brazil During the Pandemic

Fernanda Cimini, Débora Freire Cardoso, and Leonardo Ribeiro

Abstract How did the COVID-19 crisis impact the field of economic policy and research in Brazil? In a country where inequality is among the highest in the world and the economic situation of the poor was steadily worsening, one could expect a radical shift towards welfare policies to protect income and jobs. Yet economic debate is far from reaching a consensus on the need for fiscal measures; it remains highly polarised among politicians and opinion makers. This chapter analyses economic policy and research in Brazil before and during the pandemic, focusing on the debate between economic austerity and welfare policies. It argues that

F. Cimini (✉) · D. Freire Cardoso · L. Ribeiro
Federal University of Minas Gerais (UFMG), Belo Horizonte, Brazil
e-mail: fcimini@cedeplar.ufmg.br

D. Freire Cardoso
e-mail: dfreire@cedeplar.ufmg.br

L. Ribeiro
e-mail: lcr@cedeplar.ufmg.br

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0_9

COVID-19 has brought to the surface many concerns that were already haunting economic debate, such as the current fiscal rule (spending ceiling rule) revision and the increase in public debt. At the same time, it consolidated the fields of economic development and social economics as being among the priorities of Brazilian scholars.

Keywords Brazilian economy · Economic research · Economic policy · Pandemic crisis · Covid-19

9.1 Introduction

When the virus hit Brazil, the country was already in a difficult economic situation, since it was still struggling to recover from the acute economic crisis that hit it between 2014 and 2017. The accumulated GDP contraction between the second quarter of 2014 until 2017, when the country formally came out of recession, was 9% (Gomes & Cruz, 2020). Previous Brazilian recessions tended to follow a pattern: they were brief, of minor magnitude, and recoveries were quick and consistent. The recession that started in 2014, on the other hand, proved to be long, acute (with an average GDP contraction of 3.4% p.a.) and with a lethargic recovery. The average GDP growth rate between 2017 and 2019 was 1.2% p.a. (Gomes & Cruz, 2020). The unemployment rate in 2019 was around 12% and the investment rate reached its lowest level in 50 years (15.5% of GDP) (Trece & Considera, 2021). Poverty and inequality, after declining throughout the 2000s and part of the 2010s, began to rise again in 2015 (Néri, 2019). In this context, the main social income transfer programme for the alleviation of poverty became less effective, as new families eligible for benefits due to the crisis were unable to access them. Therefore, the Brazilian context with the arrival of COVID-19 was characterised by political instability, slow or non-existent economic recovery and an increase in social problems, with rising poverty and inequality.

Facing an imminent socioeconomic tragedy, the extension and expansion of emergency measures seemed inevitable. In the first weeks of the pandemic, economists from along the academic spectrum agreed on the need to spend on health, social assistance and economic support for workers, Small and Medium Enterprises and local governments. As stated by Laura Carvalho (2020f), COVID-19 led to a short-circuit in the

Brazilian government's austerity agenda, requiring unprecedented public spending. However, economic debate in Brazil is still relatively blocked by the austerity agenda that was agreed in 2016.

This chapter analyses economic policy and research in Brazil before and during the pandemic, focusing on the debate between orthodoxy and heterodoxy in Brazilian public debate. The chapter is organised as follows: Sect. 9.2 offers a concise overview of economic policy-making before the pandemic, highlighting the rising tension between orthodoxy and heterodoxy over the last two decades. Section 9.3 covers the emergency relief measures adopted by the Brazilian government, through the lens of economic debate amid the pandemic. Section 9.4 adds a bibliometric analysis of key words from economic journals, covering more than 6,000 papers published by scholars in Brazilian institutions, to observe any traceable changes in economic research after 2020. Section 9.5 summarises our main findings.

9.2 Economists in Policy-Making Before the Pandemic

The main schism in Brazilian policy-making is between orthodoxy and heterodoxy, to use the language of economists themselves (Cantu, 2020). This debate, however, is far from being limited to methodological and theoretical assumptions; it also embraces ideological and partisan contours. Orthodox economists tend to support candidates to the right of the political spectrum (although not all of them consider themselves right-wing, and some have expressed support for candidates to the centre and centre-left, such as Ciro Gomes), while heterodox economists have more connections with centre-left and left-wing parties.

Although this orthodox/heterodox frame is too simplistic to explain the various ideological cleavages existing in Brazilian economic thought (Bielschowsky, 2004; Loureiro, 1997), it became the main dimension of political debate in the governments of left-wing presidents Luiz Inácio Lula da Silva (2003–2010) and Dilma Vana Rousseff (2011–2016). Both politicians belonged to the Workers' Party (Partido dos Trabalhadores, PT).

During their 14 years in office, the PT governments opened the door for disputes over the economic doxa by incorporating economists from different schools of thought (Junior & da Cruz Backes, 2017). Unlike their predecessor, Fernando Henrique Cardoso, who adopted an orthodox agenda led by a team of economists trained in the US neoclassical school of thought, such as Pedro Malan (Berkeley), Gustavo Franco (Harvard), André Lara (MIT), Edmar Bacha (Yale), Fransico Lopes (Harvard) and José Serra (Cornell), Lula and Rousseff alternated economists and other professionals with different economic orientations, including Antonio Palloci (physician), Guido Mantega (Economist and PhD in sociology, Universidade de São Paulo), Henrique Meirelles (career in finance), Alexandre Trombini (PhD in economics, Illinois), Joaquim Levy (PhD in economics, Chicago) and Nelson Barbosa (PhD in economics, New School).

This 'ideological mix' in the PT government helped to heighten the tension between, on the one hand, the defenders of fiscal adjustment as a 'golden compromise' and an 'orthodoxy of good' (with the presence of orthodox monetarist economists such as Meirelles, Trombini and Levy in strategic positions) and, on the other hand, defenders of the public investment and of a more active role of the government in the economy via fiscal policy and greater intervention in strategic sectors defended by Mantega and Barbosa (Jardim & de Carvalho Moura, 2021).

However, this tension worsened in Rousseff's second term, leading to irreversible tension after the replacement of Levy by Barbosa in the Ministry of Finance. Levy's departure was interpreted as a victory of the 'pure blood' developmentalist agenda and therefore as 'a permanent risk for the public accounts' (Jardim & de Carvalho Moura, 2021, p. 76). According to Vaccari and Perez (2017), Rousseff had already created discontent in the financial sector in her first term and, with these changes, she lost support. Misfortunes arising from a complex economic and political conjuncture added to the corruption scandal, and together led to Rousseff being impeached a year later. Afterwards Vice-President Michel Temer (Movimento Democratico Brasileiro, MDB) became president and consolidated the economic orthodoxy under the command of Meirelles.

During his short time in office, Temer drafted and approved labour reforms, getting rid of workers' benefits and demobilising union associations; approved a fiscal rule limiting increases in public spending to the annual level of inflation for the next 20 years and initiated discussion of pensions reform, promising to increase employment and achieve a balance in the public accounts. The end of Temer's government was marked by popular dissatisfaction and the discrediting of the political system. In this context, Jair Bolsonaro was elected: he promised a conservative, free-market economic agenda.

At the same time that these disputes were taking place, two other spaces echoed the economic divide between orthodoxy and heterodoxy: in economic journalism, through economist-columnists aligned to economic universities, and in social networks, through content produced by independent think tanks.

Viera and Chiaramonte (2019) analysed the position of economist-columnists regarding Constitutional Amendment no. 95[1] and social security and labour reforms in the country's major newspapers (*Folha de S. Paulo*, *O Estado de S. Paulo* and *O Globo*). According to these authors, in addition to extensive academic training and government experience, which gives these columnists their platform in the country's major newspapers, it was at universities where they built their careers, as teachers and researchers. However, while economics departments follow a balanced division between orthodoxy and heterodoxy—Fundacao Getulio Vargas (EPGE/FGV) and the Catholic University of Rio de Janeiro (PUC-RJ) being the main exponents of the former, and the Federal University of Rio de Janeiro (UFRJ) and the University of Campinas (Unicamp) of the latter—in economic journalism, the orthodoxy prevails. Of all the economists surveyed, only Laura Carvalho (Carvalho, 2018) and Nelson Barbosa oppose pro-reform economic thinking.

Another environment where the debate gained strength was online, with the launch of Orkut in Brazil in 2004. In this space, critics of so-called social democracy (which, according to them, would include both the Cardoso and PT governments), were free to discuss more radical liberal positions, giving rise to the 'new Brazilian right' (Rocha, 2018). Gathered in communities around the writer Olavo de Carvalho,[2] supporters of the military dictatorship and defenders of the original ideas of Hayek, Mises and Friedman met in these communities to criticise Brazilian intellectuals and the 'leftist hegemony'. The June 2013 protests[3] led to the organisation of these groups into an even broader movement on Facebook, the Movimento Brasil Livre (MBL).

[1] Also known as the 'Constitutional Amendment of the Public Expenditure Ceiling', this amended the Brazilian Constitution of 1988 to start the New Fiscal Regime. It is a limitation on the growth of Brazilian government spending for 20 years, starting in 2017.

[2] A far-right self-proclaimed philosopher who became the Bolsonaro's political guru.

[3] These were a series of protests that occurred simultaneously in 2013 in more than 500 cities in Brazil. People protested against corruption, in favour of democracy, and so on.

These communities gained strength with content produced by liberal think tanks, especially the Millennium Institute (IMIL), the Liberal Institute (IL), Mises Brazil and Estudos Empresariais (EE).[4] It was from this environment that Bolsonaro recruited some of his technical team. Ricardo Velez, a philosopher and Bolsonaro's first minister of education, belonged to religious and right-wing groups that later became part of the IL in São Paulo. The president of EE, Winston Ling, appointed Paulo Guedes, one of the founders of IMIL, to become Bolsonaro's guru and Finance Minister. With a PhD in economics from Chicago, Guedes was responsible for the economic agenda of the Liberal Front Party in the 1990s and, with other economists and businessmen, such as Rodrigo Constantino, Paulo Rabello de Castro, Winston Ling, Og Leme and Carlos Langoni, made up the so-called Brazilian 'Chicago Boys', whose ideas guided Bolsonaro's economic agenda (Rocha, 2018).

In this sense, Bolsonaro inaugurated a form of 'Tupiniquim Thatcherism' (Oreiro & Paula, 2021) unprecedented in the country's history by appointing a team of orthodox economists with no previous experience in government. Yet this team was able to unite liberal voices that had been haunting the public debate outside government and academic circles.

9.3 The Pandemic Crisis and Economic Debate

Due to the federal government's adherence to the austerity agenda in the years before the pandemic, its initial response to the crisis, in terms of fiscal stimulus, was quite slow. Its lethargic response was widely criticised by economists, initially by heterodox ones (Barbosa, 2020a, 2020b, 2020c; Carvalho, 2020a, 2020b, 2020c, 2020d; Dweck et al., 2020). Most heterodox economists advocated the need to revise the spending rule to allow the state to tackle the pandemic and its effects, while most orthodox economists defended the need to maintain the spending ceiling rule (CA no. 95), although they agreed that some expansion of social protection was needed, and therefore some increase in public debt (Lisboa, 2020; Mendes, 2020a; Pessôa, 2020a). A key voice in favour of the government playing a strong role in protecting household incomes

[4] From 2008 to 2018, the number of think tanks in Brazil increased from 39 to 103, according to the Global Go To Think Tank ranking (McGann, 2019; Vieira & Chiaramonte, 2021).

and providing medical and hospital supplies was Monica de Bolle, a professor of economics at Johns Hopkins University (de Bolle, 2020a, 2020b, 2020c, 2020d).

Bolsonaro's government implemented two programmes to protect income: the Emergency Employment Support programme and the Emergency Aid. While the former was designed to preserve the employment of formal workers, by legalising a proportionate reduction in salary and working hours and permitting a temporary suspension of employment contracts for up to 60 days, the latter focused on households with informal jobs and a greater degree of vulnerability. Initially granted for up to 90 days in 2020, then extended until the end of the year, the design and implementation of this emergency aid was fraught with controversy. In March 2020, the federal government was unwilling to spend more to support people and supplement their income. The idea was to transfer 200 Brazilian reais (US$36) per month to informal workers for three months (Folha de São Paulo, 2020). Various economists (such as Barbosa, 2020b; De Bolle, 2020b; Fraga, 2020a) and organisations representing civil society (such as the Brazilian Basic Income Network) pressed for a broader policy. The members of the Legislature voted for aid to be increased to 500 Brazilian reais (US$91) (Chamber of Deputies, 2020). This was then raised to 600 Brazilian reais (US$109) and approved by the Senate, then sanctioned by the president (Senate Federal, 2020).

Discussions over the extension of emergency aid throughout 2020 also provoked controversy. The most orthodox economists advised caution in extending aid, and in some cases they suggested that the emergency aid extension should be conditional on the approval of structural reforms that would guarantee a reduction in public spending in the medium and long term, to guarantee the sustainability of the public debt trajectory (e.g. Mendes, 2020c). Economy minister Guedes even tried to link the continuity of emergency aid in 2020 and 2021 to severe administrative reforms, but the proposed constitutional amendment did not pass Congress. The lawyer and attorney Élida Graziane used the term 'fiscal blackmail' to characterise the Executive's actions in relation to the extension of aid to the poorest, as recorded in Valor (2021).

Other economists reacted strongly in favour of an extension to aid, including de Bolle (2020f), Barbosa (2020d) and Carvalho (2020d). In this debate, applied economists played an important role, as they took part in public debate based on projections of the impacts of the pandemic and mitigation measures (Carvalho, 2021; Casalecchi, 2020; Freire Cardoso et al., 2020, 2021; Komatsu & Menezes Filho, 2020; Sanches et al., 2021; Souza et al., 2020). These projections were widely used to guide decisions in Congress on topics related to fighting the pandemic.

More than 30% of Brazil's population received emergency aid in 2020 (67.9 million people), and total expenditure on this aid was around 294 billion Brazilian reais (US$53 billion), which represented 4% of Brazil's GDP. In 2021, after being suspended for three months, emergency aid was reinstated, starting in April, but at a lower amount (on average 230 Brazilian reais or US$42), and nobody new could apply for the aid.

Another salient debate among economists was around monetising the public deficit as a way of fighting the pandemic, following the tenets of modern monetary theory. One supporter of this debate was the economist André Lara Resende (Resende, 2020). These ideas were strongly criticised by orthodox economists, however, who argued that the new approach did not apply to an economy such as that of Brazil (Fraga, 2020a, 2020b, 2020c; Mendes, 2020b; Pessôa, 2020b). De Bolle (2020e), in turn, defended the use of quantitative easing, based on the North American experience with this monetary policy after the 2008 financial crisis.

To mitigate the economic impacts of the pandemic, Banco Central do Brasil (BACEN) reduced the basic interest rate (SELIC) to a historic low of 2%. Concomitantly, regulations were implemented to increase the liquidity of the financial system. In addition to improving methodologies for accounting for the financial system's net assets, which increased the system's liquidity by 135 billion Brazilian reais (US$24.5 billion), the monetary authority reduced the reserve requirement rate and created a mechanism to grant loans to financial institutions through a special liquidity facility, which also aimed to support the secondary market of debenture securities of non-financial companies. In addition, the central bank entered an agreement with the US Federal Reserve to borrow US$60 billion for the eventual provision of liquidity through currency swaps.

In the end, the spending ceiling rule was maintained, by using an escape clause in the rule: in a public calamity, any expenses needed to deal with the calamity would be covered by extraordinary credits and so would increase the public debt. A parallel budget to deal with the pandemic, called the 'war budget', was set up in May 2020. From then onwards, expansionist fiscal actions were initiated by the Executive. According to Orair (2021), Brazil was one of the emerging countries to spend the most on its emergency package to fight the pandemic in 2020 when all measures are considered, including exemptions taxes, debt restructuring and credit availability (1 trillion Brazilian reais, or US$182 billion: the equivalent of 13.9% of GDP), showing a pattern of expenditure close to that of advanced economies.

As the public calamity decree was temporary (it was only valid for 2020), the federal government signalled that fiscal expansion would also be temporary, even if economic recovery was still compromised after 2020. At the end of the crisis, the Executive's intention was that economic policy would return to being based on fiscal austerity, which displeased heterodox economists, who argued that the austerity agenda would be incompatible with the need to stimulate post-crisis economic recovery. Some orthodox economists, however, such as former Banco Central do Brasil president Arminio Fraga, called attention to the need for redistributive policies to help with post-pandemic recovery, as long as they were fiscally neutral, such as the expansion of social protection by reducing other expenses or subsidies (Fraga, 2020a, 2020b). The pandemic, however, complicated the government's initial plan, since 2021 brought a new wave of COVID-19 and a new extraordinary budget had to be created to accommodate the unexpected expenditure.

9.4 The Pandemic Crisis and Economic Research

Just like public debate, economic research has been touched by the pandemic. To understand the current dynamics in the field, we carried out a bibliometric analysis to evaluate Brazilian publications. Specifically, we searched for all Web of Science (WoS) documents in the area of economic knowledge and which had at least one author affiliated to a Brazilian institution. We set up the temporal range of our analysis to 2010–2021 to make a comparison between publication trends before the pandemic and during the pandemic. On the WoS we used the advanced query '(WC = ECONOMICS) AND (CU = BRAZIL) AND (PY = 2010–2021)', where the first part corresponds to the specification of the knowledge area to economics, the second to the specification of at least one author being affiliated to a Brazilian institution and the third to the temporal range.

This query produced 6,146 documents, from which we extracted metadata for further processing. Then we analysed the key word metadata by splitting the different terms—one document may contain several key words—and ensuring that each term corresponded to a field in economics. This correspondence is shown in Table 9.2 in Appendix. Finally, we aggregated the number of documents obtained by each economic field in each year of our analysis.

Table 9.1 shows the ranking of each subject and changes in ranking (information in bold outside parentheses) and the number of documents (in parentheses) in each economic field. It is noteworthy that 'Case study: Brazil, Latin America and emerging countries' is in first position during almost the entire analysed period, just falling to second position in 2020. The area of 'Growth and development' has shown a rise in research interest in recent years, especially during the pandemic, when it was ranked first (2020) and second (2021). The same path can be observed in the area of 'Social economics', which has been in third position since

Table 9.1 The ranking of each subject over the years and the number of documents involved

Economic field	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*
Agricultural and natural resources	5 (6)	–	8 (5)	7 (5)	6 (4)	6 (4)	–
Case study: Brazil/LA/EC	1 (26)	1 (38)	1 (28)	1 (35)	1 (32)	2 (32)	1 (31)
COVID-19	–	–	–	–	–	7 (3)	3 (14)
Environmental economics	–	6 (6)	–	6 (6)	5 (6)	–	–
Finance	–	6 (6)	6 (7)	6 (6)	3 (17)	7 (3)	–
Growth and development	3 (12)	3 (11)	4 (11)	2 (26)	3 (17)	1 (34)	2 (15)
Information economics	–	5 (7)	3 (15)	5 (7)	–	7 (3)	–
Institutions	–	–	7 (6)	8 (3)	–	–	7 (4)
International economics	–	–	–	6 (6)	–	–	–
Macroeconomics	2 (13)	2 (34)	4 (11)	3 (13)	2 (21)	4 (14)	5 (9)
Mathematical and quantitative methods	4 (9)	–	–	–	7 (3)	5 (6)	4 (12)
Microeconomics	6 (4)	8 (3)	2 (21)	–	4 (11)	–	4 (12)
Political economy	–	7 (5)	–	6 (6)	7 (3)	7 (3)	6 (6)
Regional economics	–	–	–	–	–	7 (3)	–
Social economics	6 (4)	4 (10)	5 (8)	4 (12)	3 (17)	3 (21)	3 (14)

Source Authors' elaboration

2019. In an opposite trajectory, 'Macroeconomics' has lost importance in recent years, falling to fifth position in 2020.

It is also relevant to highlight the emergence of the field 'Institutions' soon after Dilma Rousseff's impeachment and during the recurrence of Bolsonaro's threats to democracy in Brazil. Table 9.1 also shows the relevance of COVID-19 in economic research in 2020 and 2021.

The bibliometric analysis of key words indicates an increased interest of scholars working in Brazilian institutions in themes related to socioeconomic development. Obviously, a deeper analysis would have to be carried out to identify more detailed patterns, but it should be noted that these themes are aligned with public debate, given the economic crisis faced by the country during this period, which was exacerbated by COVID-19.

9.5 Final Remarks

While the rest of the world discusses recovery strategies that require greater interventionism, such as green investment packages and social protection, Brazil is still locked in discussions on how to achieve the necessary increases in spending with the austere fiscal framework currently in force.

In Brazil, 2021 was marked by a worsening of the pandemic to start the year, then the advance of vaccinations from the middle of the year until the present date,[5] then finally by the worsening of social problems such as poverty and hunger. According to comparative data from the World Bank (2022), Brazilian economic recovery is below the average of developing countries; the country's GDP grew by 4.9% in 2021, while the average growth of GDP in developing countries in the same year was 6.5%. The World Bank's projections are also worse for Brazilian growth in the coming years compared to its peers. The country has suffered from high inflation due to the exchange rate devaluation and a water and energy crisis, which have considerably worsened the lives of the poorest people. The service sector, which has the greatest capacity to boost employment, especially among the informal and low-income population, has been the

[5] By February 2022, more than 70% of the population had received at least one dose of a COVID-19 vaccine.

sector with the slowest recovery, according to data from the System of National Accounts (IBGE, 2021).

At the end of 2021, discussions about the public budget for 2022 and the impossibility of guaranteeing the expansion of social protection (much needed in view of the end of emergency aid) led to the proposal of a constitutional amendment in which the government could postpone the payment of judicial debts to society. This amendment, in practice, was necessary, but it meant a manoeuvre to circumvent the spending rule. Even with opposition from economic analysts, the amendment was approved by the Legislature. Thus, the Executive avoided the need to seek a permanent way to finance the expansion of social protection, such as through tax reforms, and opted for what economists are calling an electoral measure, since elections will be held in 2023 for the Executive and Legislative.

This measure will make it possible, in addition to increasing temporary social protection, to distribute parliamentary amendments. Thus, in practice, although the spending ceiling rule is still in the federal constitution, the rule has already lost relevance, since it has been circumvented. It seems that solid economic debate and effective post-pandemic country reconstruction strategies will be left to the new government in 2023.

Perhaps the only good news this study brings to the field of economics in Brazil is the growing trend in academic studies towards research and work related to growth and development and social economics that we have recorded over recent years.

Appendix

See Table 9.2.

Table 9.2 Categories of key words

Category	*Key word*
Case study: Brazil/LA/EC	BRAZIL; BRAZILIAN ECONOMY; LATIN AMERICA; EMERGING MARKETS
Growth and development	ECONOMIC GROWTH; DEVELOPMENT; STRUCTURAL CHANGE; INNOVATION; MANUFACTURING; HETEROGENEITY; TECHNOLOGY; DEMAND-LED GROWTH; DIVERSIFICATION; SUPERMULTIPLIER; ECONOMIC DEVELOPMENT
Agricultural and natural resources	AGRIBUSINESS
Mathematical and quantitative methods	PANEL DATA; DATA; ENVELOPMENT ANALYSIS; MACHINE LEARNING; DIFFERENCE-IN-DIFFERENCES; EPISTEMOLOGY; INPUT–OUTPUT; DEA
Macroeconomics	MONETARY POLICY; FISCAL POLICY; EXCHANGE RATE; INFLATION; INTEREST RATES; PUBLIC DEBT; FORECASTING; UNCERTAINTY; SHRINKAGE
Social economics	EDUCATION; HUMAN CAPITAL; SOCIAL AND SOLIDARITY ECONOMY; PUBLIC POLICIES; CULTURAL STUDIES; PUBLIC POLICY; CULTURE; INCOME DISTRIBUTION; INEQUALITY; WAGES; WAGE INEQUALITY; GENDERED DISCRIMINATION
Microeconomics	COSTS; PRODUCTION; PROFITABILITY; EFFICIENCY; PRODUCTIVITY; GENERAL EQUILIBRIUM; PURCHASE INTENTION; MARKET POWER; MANAGEMENT; COST DRIVERS
Political economy	POLITICAL ECONOMY; CAPITALISM; MARX; DEVELOPMENTALISM; KEYNES; NEOLIBERALISM
Information economics	COMMUNICATION; MEDIA; PUBLIC TELEVISION; JOURNALISM; BROADCASTING; EVENT STUDY

(continued)

Table 9.2 (continued)

Category	*Key word*
Environmental economics	SUSTAINABILITY; ENVIRONMENT; RENEWABLE; ENERGY; CLIMATE CHANGE; GREEN BONDS; BIOLOGICAL ASSETS; ENERGY
Institutions	INSTITUTIONS; DEMOCRACY; IMPEACHMENT
Finance	FINANCIAL REGULATION; FINANCIAL STABILITY; ECONOMIC VIABILITY; FINANCIALISATION; CAPITAL STRUCTURE; CREDIT; RISK; VALUE-AT-RISK; SYSTEMIC RISK
International economics	INTERNATIONAL TRADE; COMPETITIVENESS
Regional economics	BRAZILIAN MUNICIPALITIES

References

Barbosa, N. (2020a, March 18). Corona Vírus contagia bom senso de economistas ortodoxos. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/nelson-barbosa/2020a/03/coronavirus-contagia-bom-senso-dos-economistas-ortodoxos.shtml

Barbosa, N. (2020b, March 20). Seguro de renda para todos. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/nelson-barbosa/2020b/03/seguro-de-renda-para-todos.shtml

Barbosa, N. (2020c, March 27). Empregador temporário em última instância. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/nelson-barbosa/2020c/03/empregador-temporario-de-ultima-instancia.shtml

Barbosa, N. (2020d, May 21). Auxílio Emergencial até setembro. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/nelson-barbosa/2020d/05/auxilio-emergencial-ate-setembro.shtml

Bielschowsky, R. (2004). *Pensamento econômico brasileiro: o ciclo ideológico do desenvolvimentismo* (5th ed.). Contraponto.

Cantu, R. (2020). A pandemia, os economistas e o fim do neoliberalismo no Brasil. *DILEMAS: Revista de Estudos de Conflito e Controle Social*. Rio de Janeiro.

Carvalho, L. B. (2018). *Valsa Brasileira: do boom ao caos econômico*. Todavia.

Carvalho, L. B. (2020a, April 16). Como a pandemia pode aprofundar nossas desigualdades. *Coluna do Jornal Nexo de*. https://www.nexojornal.com.br/colunistas/2020a/Como-a-pandemia-pode-aprofundar-nossas-desigualdades

Carvalho, L. B. (2020b, April 30). As funções do Estado reveladas pela pandemia. *Coluna do Jornal Nexo de*. https://www.nexojornal.com.br/colunistas/2020b/As-fun%C3%A7%C3%B5es-do-Estado-reveladas-pela-pandemia

Carvalho, L. B. (2020c, May 14). Como combater a recessão causada pela pandemia. *Coluna do Jornal Nexo de*. https://www.nexojornal.com.br/colunistas/2020c/Como-combater-a-recess%C3%A3o-causada-pela-pandemia

Carvalho, L. B. (2020d, May 28). Acabou o dinheiro para o enfrentamento da crise? *Coluna do Jornal Nexo de*. https://www.nexojornal.com.br/colunistas/2020d/Acabou-o-dinheiro-para-o-enfrentamento-da-crise

Carvalho, L. B. (2020e, October 29). A bomba relógio do fim do auxílio emergencial. *Coluna do Jornal Nexo de*. https://www.nexojornal.com.br/colunistas/2020e/A-bomba-rel%C3%B3gio-do-fim-do-aux%C3%ADlio-emergencial

Carvalho, L. (2020f). *Curto-circuito: o vírus e a volta do Estado*. Todavia, eBOOK Kindle.

Carvalho, S. S. (2021). Os efeitos da pandemia sobre os rendimentos do trabalho e o impacto do auxílio emergencial: os resultados dos microdados da PNAD COVID-19 de novembro. *IPEA—Carta Conjuntura, 50*(48), 1–16. http://repositorio.ipea.gov.br/bitstream/11058/10163/12/CC_48_mt_final.pdf

Casalecchi, A. (2020). Cenários para a despesa com o auxílio emergencial. Instituição Fiscal Independente – Senado Federal. Nota Técnica n. 42. Brasília.

Chamber of Deputies (2020, March 26). *Relator propõe auxílio emergencial de R$ 500 para pessoas de baixa renda* (Reportagem do dia). https://www.camara.leg.br/noticias/648772-%E2%80%8BRELATOR-PROPOE-AUXILIO-EMERGENCIAL-DE-R$-500-PARA-PESSOAS-DE-BAIXA-RENDA

De Bolle, M. (2020a, March 18). Como evitar a depressão econômica? *Coluna do Jornal Estadão de*. https://economia.estadao.com.br/noticias/geral,como-evitar-a-depressao-economica,70003237481

De Bolle, M. (2020b, April 8). Renda Básica. *Coluna do Jornal Estadão de*. https://economia.estadao.com.br/noticias/geral,renda-basica,70003264286

De Bolle, M. (2020c, April 29). Flexibilizar o teto já. *Coluna do Jornal Estadão de*. https://economia.estadao.com.br/noticias/geral,flexibilizar-o-teto-ja,70003286537

De Bolle, M. (2020d, June 3). Renda Básica é impagável? *Coluna do Jornal Estadão de*. https://economia.estadao.com.br/noticias/geral,renda-basica-e-impagavel,70003322902

De Bolle, M. (2020e, May 6). Monetizável confusão. *Coluna do Jornal Estadão de*. https://economia.estadao.com.br/noticias/geral,monetizavel-confusao,70003293523

De Bolle, M. (2020f, June 24). O maior dos descasos. *Coluna do Jornal Estadão de*. https://economia.estadao.com.br/noticias/geral,o-maior-dos-descasos,70003342749

Dweck, Esther (Org.), Rossi, P. (Org.) & Oliveira, A. L. M. (Org.). (2020). *Economia pós-pandemia: desmontando os mitos da austeridade fiscal e construindo um novo paradigma econômico*. 1. ed. Autonomia Literária, v. 1.

Fraga, A. (2020a, March 29). Covid-19: primeiras lições, desafios e propostas. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/arminio-fraga/2020a/03/covid-19-primeiras-licoes-desafios-e-propostas.shtml

Fraga, A. (2020b, June 27). Navegando a crise e construindo o futuro. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/arminio-fraga/2020b/06/navegando-a-crise-e-construindo-o-futuro.shtml

Fraga, A. (2020c, July 25). Dívida pública e moeda no Brasil pós-Covid. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/arminio-fraga/2020c/07/divida-publica-e-moeda-no-brasil-pos-covid.shtml

Freire Cardoso, D., Domingues, E., Magalhães, A., Simonato, T., & Miyajima, D. (2020). Renda básica emergencial: uma resposta suficiente para os impactos econômicos da pandemia da COVID-19 no Brasil? Nota Técnica. NEMEA-Cedeplar.

Freire Cardoso, D., Domingues, E. C., Magalhães, A. C., Simonato, T. C., & Miyajima, D. C. (2021). *Pandemia de Covid-19 e famílias: impactos da crise e da renda básica emergencial. Boletim de política social*. IPEA.

Folha de São Paulo (2020, March 18). Contra Pandemia Governo vai distribuir 200 reais a trabalhadores informais. *Notícia do dia*. https://www1.folha.uol.com.br/mercado/2020/03/contra-pandemia-governo-vai-distribuir-r-200-para-trabalhadores-informais.shtml

Jardim, M. C., & de Carvalho Moura, P. J. (2021). Entre a ortodoxia e a heterodoxia: disputa simbólica nos governos petistas (Lula e Dilma) para a imposição da doxa econômica. *Revista Novos Rumos Sociológicos, 9*(16).

Junior, J. C. M. B., & da Cruz Backes, G. (2017). Economistas e Política no Brasil: a participação dos economistas no poder nos governos FHC(1995–2002) e Lula (2003–2010). *Desenvolvimento em Questão, 15*(40).

Gomes, G., & Cruz, G. A. S. (2020). Vinte e cinco anos de economia brasileira - 1995/2019. Centro de Altos Estudos Brasil Século XXI. Brasília.

Instituto Brasileiro de Geografia e Estatística—IBGE. (2021). *Sistema de Contas Nacionais*. Available in: https://www.ibge.gov.br/estatisticas/economicas/contas-nacionais.html

Komatsu, B. K., & Menezes Filho, N. (2020). Simulações de Impactos da COVID-19 e da Renda Básica Emergencial sobre o Desemprego, Renda, Pobreza e Desigualdade. Ínsper. Policy paper n. 43. São Paulo: Abril.

Lisboa, M. (2020, March 17). Corona vírus e o impacto econômico. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/marcos-lisboa/2020/03/coronavirus-o-impacto-economico.shtml

Loureiro, M. R. (1997). *Os economistas no governo*. Editora FGV.

Mendes, M. (2020a, March 14). Irresponsabilidade. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/marcos-mendes/2020a/03/irresponsabilidade.shtml

McGann, J. G. (2019). "2018 Global Go To Think Tank Index Report". Pennsylvania, ttcsp Global Go To Think Tank Index Reports. 16.

Mendes, M. (2020b, May 4). Entenda os custos da monetização. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/marcos-mendes/2020b/05/entenda-os-custos-da-monetizacao.shtml

Mendes, M. (2020c, May 22). Auxílio Emergencial. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/marcos-mendes/2020c/05/auxilio-emergencial.shtml

Néri, M. C. (2019). A Escalada da Desigualdade-Qual foi o Impacto da Crise sobre Distribuição de Renda e Pobreza? Retrieved April, 27, 2020.

Orair, R. O. (2021). *Política fiscal e resposta emergencial do Brasil à pandemia*. *Boletim de política social*. IPEA.

Oreiro, J. L., e Paula, L. F. (2021). *Macroeconomia da Estagnação Brasileira*. Alta Books.

Pessôa, S. (2020a, March 15) A marcha da insensatez. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/samuelpessoa/2020a/03/a-marcha-da-insensatez.shtml

Pessôa, S. (2020b, May 3). Imprimir dinheiro contra a crise. *Coluna do Jornal Folha de São Paulo de*. https://www1.folha.uol.com.br/colunas/samuelpessoa/2020b/05/imprimir-dinheiro-contra-a-crise.shtml

Resende, A. L. (2020, May 16) Crise exige superar equívocos sobre emissão de moeda e dívida pública. Ilustríssima Jornal Folha de São Paulo. Publicado em. https://www1.folha.uol.com.br/ilustrissima/2020/05/crise-exige-superar-equivocos-sobre-emissao-de-moeda-e-divida-publica-diz-andre-lara.shtml

Rocha, C. (2018) "Menos marx, mais Mises":Uma gênese da nova direita brasileira (2006–2018). Tese apresentada ao Programa de Pós-Graduação em Ciência Política da Faculdade de Filosofia, Letras e Ciências Humanas da Universidade de São Paulo.

Sanches, M., Cardomingo, M., & Carvalho, L. (2021). Nota de Política Econômica Quão mais fundo poderia ter sido esse poço? Analisando o efeito estabilizador do Auxílio Emergencial em 2020 Resumo executivo. *Made Centro de pesquisa em macroeconomia das desigualdades Nota*.

Senate Federal. (2020, March 30). *Senado aprova auxílio emergencial de R$ 600*. (Reportagem do dia). https://www12.senado.leg.br/noticias/materias/2020/03/30/coronavirus-senado-aprova-auxilio-emergencial-de-r-600

Souza, P., Soares, S., Paiva, L. H., & Bartolo, L. (2020). Estimativas de Público Elegível e Custos do Benefício Emergencial Criado Pelo PL 9.236/2017. Instituto de Pesquisa Econômica Aplicada (IPEA).

Trece, J., & Considera, C. (2021). Taxa de Investimentos no Brasil: a dificuldade de crescer. FGV: IBRE. São Paulo. https://blogdoibre.fgv.br/posts/taxa-de-investimentos-no-brasil-dificuldade-de-crescer

Vaccari, G. S., & Perez, R. T. (2017). A doxa política das finanças: o discurso dos banqueiros diante da nova matriz econômica do governo Dilma Rousseff (2011–14). *Revista Eletrônica de Ciência Política, 8*(3).

Valor Econômico. (2021, February 19). Procuradora critica pressa em retirar medidas e defende mudança no teto. *Jornal do dia*. https://valor.globo.com/brasil/noticia/2021/02/19/procuradora-critica-pressa-em-retirar-medidas-e-defende-mudanca-no-teto.ghtml

Vieira, A. M., & Chiaramonte, A. R. (2019, jul.–dez). Os economistas-colunistas no debate sobre as reformas no Brasil. *Estud. sociol. Araraquara, 24*(47), 137–170.

Vieira, A. M., & Chiaramonte, A. R. (2021). O Instituto Millenium na busca por poder. *Tempo Social, revista de sociologia da USP, 33*(1).

World Bank. (2022). *Global economic prospects*. Washington, DC. Available in https://openknowledge.worldbank.org/bitstream/handle/10986/36519/9781464817601.pdf

Index

A. Lazzarini and D. Melnik (eds.), *Economists and COVID-19*,
https://doi.org/10.1007/978-3-031-05811-0