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After the Calamity: Economics and Politics in the Post-Pandemic World

Abstract: The coronavirus pandemic has shaken the world and its long shadow will remain with us for many years. It is presenting humanity with incredible challenges, which coincide with other negative mega-trends. The enormous costs of the pandemic will only be known *ex post*. While some people will have lost nothing, others will have lost everything—sometimes even their lives. The heterogeneous, post-pandemic future will follow many paths, with the position of highly developed countries becoming relatively weaker. Tensions between the US and China will increase; geopolitics will change. The confrontation between democracy and authoritarianism will intensify; the synergy of the market and the state will be transformed. It will be particularly dangerous to view two sides of the same counterfeit coin as alternatives: neoliberal capitalism versus populist capitalism. The chance for a better future could be created by a gradual transition to a new pragmatism, a strategy of moderation in economic matters, and a development that is sustainable on three levels—economic, social, and ecological. The pandemic is also an immense challenge for the social sciences because old ways of thinking will often prove useless in analyzing and explaining new situations.

Keywords: pandemic, globalization, development strategy, future, imagination, new pragmatism

“The signs are increasing that the world will be unable to escape the spiral into which it has fallen without a crisis and new revolutions. It would be better to escape this spiral through evolution and universal development that is politically, culturally, socially, ecologically, economically, and financially balanced, but it is both too late and too early for that. What kind of crisis will it be? We do not know. When will it happen? We do not know, but it is only a question of time, because there are more and more contradictions and they are becoming increasingly antagonistic. Overcoming them will take movements on an almost tectonic scale: profound structural changes, the adoption of a new value system, and a different balance of power and allotment of roles on the world stage.”

Hatred in the Time of Plague

Someone will no doubt say that there is nothing very revealing in these sentences. And yet... They appeared twelve years ago in my book *Truth, Errors, and Lies: Politics and Economics in a Volatile World* (2011: 341). There, I warned that given the ineptitude of politicians in dealing with the challenges of the modern world, an Even Greater Crisis, an EGC, would come in time. I used this term to stress the inevitability of a crisis that would be more extensive than the Great Crisis of 1929–1933. “There will come [an Even Greater Crisis] when significant demographic, ecological and political disturbances will overlap with significant economic perturbations. The question is only when and [what] dynamics

[it will have].” These sentences are not new either; they were written ten years ago (Kołodko 2010: 162). Moreover, a few years later, in my monograph *Whither the World: The Political Economy of the Future*, I warned that “we’re in for a yet greater disaster than the recent crisis and for dissensions building up further, followed by even more exacerbated conflicts, not only economic ones” (2014a: 7), as well as the statement that “we won’t escape an [Even Greater Crisis] (EGC), with all the attendant social revolts” (p. 426).

So when today an Internet user asks me, “Professor, is this already that EGC—the Even Greater Crisis—that you wrote about?” I answer, “Yes.” Things happen the way they do because many things happen at the same time. So we have to look at what is happening simultaneously in the long term and over a vast area, and not just at the here and now. In my trilogy about the world, I wrote about the Twelve Great Issues for the Future—the GIF. Here, I will highlight only half of them—those that are most important from the present standpoint—but by no means do I think the others should be neglected.

1. The systemic and structural sources of the previous global financial and economic crisis have not been removed. The greed of the mighty of the world and the submission of the political elite to their pressure has remained (Galbraith 2014; Stiglitz 2019).

2. The influence of neoliberalism—the ideology, as well as economic policies and meager regulations, enriching the few at the expense of the many—has not been completely eliminated. As a result, globalization, which is otherwise irreversible, is still not sufficiently inclusive, which is a *sine qua non* for harmonious development (Harvey 2005).

3. Efforts to stop the processes of devastation of the natural environment and global warming are failing (Diamond 2019; Wallace-Wells 2019). Mankind is placing itself on the path to thermal destruction, though it does not at all have to go to hell for that; it will make hell here, on Earth.

4. With certain exceptions, it has not been possible to restrain the escalation of income and wealth inequalities and to set the economy and society on a path leading to their reduction (Milanovic 2016). Without reducing these inequalities, there is no chance that social cohesion and liberal democracy can be maintained in the long run.

5. The deepening demographic imbalance is leading, on the one hand, to huge differences in fertility rates and, as a result, to a dysfunctional surplus or shortage of labor and, on the other hand, to mass migration. Great waves of migration, involving tens of millions of people—both refugees from places where it is impossible to live peacefully and immigrants from regions where it is impossible to live decently—will begin to flow into rich countries.

6. Political tensions are rising due to people’s inability to find conciliatory solutions to growing transnational problems and to the lack of mechanisms to manage the interdependent global economy. Xenophobia and chauvinism, new nationalist and protectionist sentiments are rising, while the United States has declared a Second Cold War, not only against China and Russia but even against certain of its own allies (Klein, Pettis 2020).

Someone may ask, “What revolutions? What revolts?” Well, first people become enraged and then they take to the streets: from the Arab Spring to Black Lives Matter, from Maidan to Occupy London, from Taksim Square in Istanbul to Wall Street in New York, from Delhi to Santiago, from wearing yellow vests in France to T-shirts with the slogan

KON-STY-TUC-JA in Poland. There will be more such demonstrations for a number of reasons. One is that in most places people will notice, in the context of fighting the epidemic, how much inequality there is. For instance, the fact that black people account for only 30 percent of the population in Chicago but as much as 70 percent of coronavirus deaths is worthy of deeper reflection, isn't it?

In the aftermath of the pandemic, more and more dissatisfied people will go out in the streets. There will be no world revolution, but chaos may increase. The world needs new ideas and great leaders—global statesmen—not demagogues shouting “America First!” or “*Alternative für Deutschland*.” In order to avoid anarchy, which might devastate cultures and economies all over the world, new ideas and development concepts are needed, such as a new pragmatism—a kind of interface between holistic economic theory and practical economic policy aiming for inclusive growth and sustainable development (Bałtowski 2017; Galbraith 2018; Kolodko 2014b).

We have recently experienced strange times, when a Swedish teenager seems to be smarter and more responsible than the American president, when hopes for keeping the global economy on the path of growth rest with China and India, not the USA and Japan, when many politicians are praying for a better future, because they need the help of supernatural forces, when entrepreneurs prefer to save rather than invest, when stupidity triumphs over wisdom and aggression over empathy. It is all our doing.

Moreover, it never rains but it pours. The scourge of the pandemic is combined with the extremely unfavorable mega-trends of modern civilization and the globalized economy. No one knew when exactly the calamity would come or what it would look like, but it was obvious that it would come. I was neither being clairvoyant nor engaging in gloom-mongering when I wrote in *Truth, Errors and Lies: Politics and Economics in a Volatile World* that we are facing

“a growing threat of mass diseases, fast-spreading epidemics...” (p. 98) [and that] “it would be the height of naïveté to assume that there will be no new diseases with the lethal potential of HIV-AIDS or SARS. It has to happen sooner or later” (p. 159) [...] “Prosperous countries and those as large as China can cope with such blows; similar epidemics are devastating in poorer countries. They unleash pandemonium there, affecting the quality of life at its roots and diminishing the potential GDP as a consequence.” (p. 160) [...] “In the contemporary world, there is an increasing need for the global coordination of treatment and prevention policies in the face of the epidemiological threat” (p. 162).

“It’s no time to grieve for roses when the forests are burning,” wrote the poet Juliusz Słowacki. This is not a time to regret the decline in production as it is the result of the struggle for human life. The millions of people whose lives and health will be saved due to radical and costly preventive and curative measures are much more valuable than the losses caused by the recession, and no doubt than those trillions lost on stock exchanges. Due to their speculative core, stock market losses would be nothing to regret, yet the decline in the value of pension funds and in the long-term savings of the household sector will be painful. Also nothing good is going to come from the lack of liquidity of numerous businesses and the shortage of investment capital caused by the crash of stock exchanges.

There are plenty of dramatic microeconomic situations, but short-term issues can be handled, even though it will not be easy. Furthermore, their macroeconomic consequences are going to be very severe. Governments are right to increase public spending to support

economic recovery and to protect populations and individuals in special need. Depending on the conditions, billions, or even hundreds of billions, of dollars need to be pumped into the economy in a sensible manner, and innovative financial instruments will often need to be specially created for the purpose.

The longer-term consequences are more important. Undoubtedly, the upheaval caused by disorders in the sphere of production and consumption will leave its mark on the microeconomic behavior of households and the macroeconomic performance of transnational corporations, as well as on the attitudes of politicians dealing with the economy. Their approach to global supply chains will be of great importance. What is to be feared is the rise of phobias and irrationalism, parochialism and nationalism, particularism and protectionism. We are threatened not only by what cannot be seen—the microscopic coronavirus—but also by what can be seen with the naked eye. Hatred...

Racial hatred and xenophobia, Islamophobia, Sinophobia, Russophobia, the hatred of “true Poles” or “true Finns” for people of different cultures, the Buddhists of Myanmar for the Rohingya, the Shiites of Iran for the Sunnis from the Arabian Peninsula, the conservative English for the Europeans from Brussels, the aversion to strangers, to Others, to those not from here, to those from “shithole countries” and the “rapists from Mexico,” to those people of color and these infidels—it harms us all, because it spoils the globalization which is connecting all of us. Indeed, connectivity, the core of globalization, is at stake. Donald Trump’s hatred for almost everything his democratic predecessors (especially President Barack Obama) did to further peaceful cooperation and inclusive globalization—from regional free trade agreements to the Paris Agreement on combating climate warming, from the economic agreement with Canada and Mexico to the arrangement on Iran’s nuclear program, from the treaty with Russia on medium-range missile systems to the prerogatives of the World Trade Organization, and multilateralism in the global economic and political game—is indubitably harmful.

It is pathetic that the US president, in referring to the epidemic, talks about the “Chinese virus,” but it is also embarrassing that the spokesperson of the Chinese Ministry of Foreign Affairs suggests that it was the US military service that brought the virus to Wuhan, where the first recognized outbreak of the epidemic occurred. In Poland, where hatred flourishes among the post-Solidarity “elite”—that is, between Civic Platform, with its right-wing neoliberal tendencies, and Law and Justice, with its populist-nationalist mark—we heard not long ago from the leader of the latter party that refugees spread “parasites and protozoa.” It is not the refugees who are guilty of spreading the deadly virus, but some would prefer to close the borders to them anyway; not merely temporarily but forever, and preferably by use of a wall or barbed wire. And this is happening in more than one place in the world, not excepting countries that proudly regard themselves as leading Euro-Atlantic civilization.

A Deficit of Imagination

Hard times—and these in which we are currently living are indeed very hard—should also be times of deeper intellectual and political reflection. The pandemic, with its long-term consequences, has overlapped with the above-mentioned mega-trends, and has detonated

a crisis unlike any that has been seen before. If democracy cannot cope with the challenges arising from such a crisis, there will be more frequent resorts to authoritarianism. Then, perhaps, the shocks of recession will be fewer, there will be no great migrations of people, there will be no excessively overheated climate, but there will be no democracy either...

Liberal democracy was in dire straits even before the pandemic (Deneen 2018) and some argue that for the sake of maintaining the competitiveness of highly advanced economies it would be good to curb it slightly (Jones 2020). Its difficulties have been worsened by the expansion of so-called adversary democracy (Mansbridge and Martin 2015) which has recently been flourishing in countries as different as the United States and Poland, the United Kingdom and South Korea, Colombia and Indonesia, where societies are often almost evenly divided on major issues. Now, democracy may suffer even more. On the one hand, democracy's weaknesses and limited ability to solve problems brought by an extremely fast-changing world can be felt (Krastev and Holmes 2019; Reykowski 2020), and on the other hand, in dozens of countries fighting the pandemic, the supposedly temporary restrictions on civil liberties may persist even after the threat leading to their introduction has waned (*Economist* 2020).

What will the world look like after the pandemic? It is best not to ask such questions, because it is impossible to answer them satisfactorily. The scope and effects of the pandemic, and the depth and longevity of the inevitable economic, social, and political crises arising from it, can not be estimated *ex ante*. What may seem visionary today may turn out to be a lack of imagination tomorrow.

What is most difficult to understand is what cannot be seen. In order to reach reasonable conclusions, we need not only knowledge but also imagination—an imagination that isn't detached from the realities of life, or that fantasizes or succumbs to illusions, but one based on a critical observation of facts and careful interpretation of phenomena and processes. And a lot is going on. Unfortunately, in addition to the other imbalances that disarrange social relations in all their possible cross-sections, there is also a deficit of imagination. Thus while remembering to deepen our knowledge it would be worthwhile not to forget to exercise our imagination as well.

It is impossible to overcome the chaos that infiltrates socio-economic relations if short-term policy is not linked to long-term development strategy. In the army, it is known that there are operational activities, tactics, and strategy, and that they must be coherent and support each other. In economics, this is often forgotten or not thought about at all, particularly due to the naive neoliberal belief in the omnipotence of the market. Being blinded by the financialization of the economy and a narrow concentration on capital markets is like leaving forest management to a woodcutter with a saw when what is needed is an all-around forester. A wise strategy must always draw not only on a good understanding of the initial situation but also on imagination. Then there are fewer surprises.

Isn't it amazing that actually no economic doctrine questions the need to maintain costly military reserves—personnel, equipment, and finances—and governments always provide public funds for these purposes—sometimes in very generous amounts—despite the fact that in the overwhelming majority of cases their military forces will never be used? Not because a potential aggressor will be afraid of that military power, but because there is no real enemy getting ready to attack. It would seem that the economy can afford huge

wastage, yet security and the balance of power could be maintained by a fraction of the expenses incurred. Unfortunately, obedience to influential military-industrial lobbies and their political and media backers is quite common in the contemporary world. Although it is obvious that no one could have predicted the calamities of the coronavirus pandemic, is it not amazing that even the richest countries in the world do not keep proper reserves—of personnel, equipment, and finances—for the possible significant deterioration of the health situation in their societies? If NATO member states—which are urged by the organization to allocate at least 2 percent of GDP to military expenditure (which, of course, is called “defense”)—were to shift to healthcare just 0.5 percent, or almost USD 100 billion, of their aggregated GDP, this would make the 600 million inhabitants of the countries involved in the pact more, not less, secure. Would it not be better to maintain rational reserves of medical personnel and medication instead of useless reserves of soldiers and weapons? The USD 100 billion per year more for healthcare would make people safer and healthier not just in the 30 NATO countries but in far distant ones as well.

In our concern to kill the coronavirus before it kills us, we should not forget the risks that exist in other areas. Sometimes the risk seems remote, but in the age of globalization, almost nothing is very far away, and certainly not far enough away to be of no concern to us. In envisioning the post-pandemic future, we must take into account a number of circumstances that are seemingly unrelated but are important for other reasons. What might not seem obvious may be particularly pertinent in relation to the future.

The ongoing conflict in Hong Kong may have considerable implications. When the inhabitants of Hong Kong believe that the disease is no longer dangerous, there will be more intense street demonstrations by people wearing masks to protect not their lungs against viruses but their faces from recognition by intrusive cameras. If the demonstrations escalate out of control, they could lead to an intolerable situation for Beijing, which may decide to use force to restore order. The consequences of such a turn for international affairs, especially for relations between China and the West, would be disastrous. Politically motivated economic sanctions would cause even greater turbulences for the global economy than the ongoing trade war.

If Israel—with or without US approval—bombs Iran’s nuclear installations, which the hawks in Tel Aviv have wanted to do for a long time, Iran will respond by blocking the Strait of Hormuz. Then oil will not be at USD 25 per barrel—the very low price brought about by the pandemic—but perhaps at USD 125. Either will be bad—at times too cheap for some, at times too expensive for many.

If Turkey proves unable to cope with the nearly four million refugees it has taken in (mainly from Syria) and opens the Turkish border with the European Union, and the regimes in Libya (General Haftar’s and the one in Tripoli) also open their border, then the rising flow of immigrants from the Middle East and sub-Saharan Africa will be unstoppable. An overwhelming influx of migrants will make social peace in Europe impossible to maintain. If, however, force were to be used to counteract this wave, it would be time to stop talking of European values. It is thus all the more necessary to find a pragmatic solution to the conflicts in the Middle East and North Africa, and to help the region develop, including financially (Seck 2020), in order to weaken the pressure to escape from there.

If tensions between India and Pakistan on the Kashmir issue escalate again, and these two countries use their nuclear weapons, the entire global political stage will be destabilized, with strong, unfavorable effects on economies far from the Indian subcontinent.

If the uncontrolled logging of tropical forests continues—from Borneo to Congo, from Burundi to Ecuador—and President Bolsonaro does not stop the burning of thousands of hectares of the Amazon rainforest, then each subsequent year will be even hotter than has been estimated on the basis of other factors. This will further aggravate global warming, which will inevitably have a negative effect on the political climate, with adverse effects on the economy.

If—taking advantage of the political turmoil caused by the pandemic—nationalists in Taiwan take the initiative to unilaterally declare the independence state, China will invade and force the island to join the People’s Republic. Despite the military treaty between Taiwan and the United States, this will not provoke a war with China, but political and economic relations would deteriorate on a much greater scale than happened between the West and Russia after the latter annexed Crimea in 2014.

There is almost never a situation in which all the good or bad circumstances converge, as different factors always overlap. Therefore, comprehensiveness should be an integral feature of strategic socio-economic analyses (Arthur 2015). The risk of these regional crises cannot be excluded and since they are conceivable and possible, they must be prevented; this is what politics and policies are for. Each of these issues, though regional, must be coordinated on a supranational level, because they have an impact on what is happening on a global scale. Moreover, if a policy—which by its very nature seeks to influence future phenomena and processes—is to be wise and effective, answers to the questions of the future must be sought in the social sciences and especially in economics, on which economic policy should be based as much as possible. Some aspects of the future can be scientifically predicted (Morris 2010; Randers 2012), while others can and must be creatively shaped (Tirole 2017; Krugman 2020).

Recession and Growth, or Depression?

The situation has seldom been as volatile as today. First of all, we do not know what the results of the pandemic will be. Will only millions, or tens of millions, fall ill? Will hundreds of thousands, or millions, shuffle off this mortal coil? We do not know how interpersonal relations will be transformed. Will there be more empathy, more mutual trust—this being the basis of social capital—or less? More tolerance for cultural differences or less? In more mundane matters, we do not know how much the supply and production chains have been already broken.

We do not know to what extent and for how long the provision of various services has been stopped. The number of closed restaurants and empty cinemas cannot be counted, but it has already been calculated that two million flights have been canceled. Two-hundred-million people did not arrive where they wanted to be on time. As a result, no major airline will survive without government aid.

We do not know how effective the record-breaking intervention packages announced by more and more governments and certain national organizations will be in maintaining

economic activity, nor do we know how large they will be, for whom, or over what time frame they will be implemented. The degree of determination is also unprecedented, and the famous statement in the summer of 2012 by Mario Draghi, then President of the European Central Bank, regarding efforts to save the euro from falling—“Whatever it takes will be done”—has been repeated in numerous languages. On a global scale, it can be estimated that in 2020 alone—and the drama will not end here—the total sums of the support provided by governments and central banks has come to USD 9–11 trillion.

We already know that there will be a recession. Not everywhere, but certainly in the largest advanced economies: in the United States, Japan, South Korea, the European Union (in particular, in Germany, France, Italy, and Spain), Canada, and Australia. And in Poland. There is still hope that the recession will not affect all the poorer countries because fortunately some, especially in the poorer parts of Africa, have not been as harmed by the coronavirus. However, they are globally integrated with rich countries through trade, supply chains, and capital transfers, and they could be pulled down at the same time.

If the epidemic spreads there, their economies will suffer relatively less than in the sophisticated rich countries, while on the human side it will be a terrible cataclysm due to the underdevelopment of their health care systems. It is sufficient to mention in this respect that in Pakistan, which has more than 230 million inhabitants, health expenditure per person is two hundred times lower than in the USA.

Under such conditions of extreme uncertainty, there is a great risk of confusing media panic with cold-blooded econometric forecast, predictions with warnings, soft assumptions with hard claims. Thus, more often than not even the information provided by accountable sources must be viewed with a certain skepticism. When Oxfam, a trustworthy NGO, claims that “The economic fallout from the coronavirus pandemic could push half a billion more people into poverty,” it is not easy to accept. Of course, there is caveat—“unless urgent action is taken to bail out developing countries” (Oxfam 2020)—but unfortunately such actions have not been taken to the required degree.

There should be no doubt that the debt of the world’s poorest countries must be written off—urgently and unconditionally. They cannot be forced to service their debts to developed countries and Western banks in a situation where they have to protect the health of their citizens and the jobs of their workers by radical increases in expenditures, which are insufficient even in good times. In 2020 alone, as many as 69 of the world’s poorest countries are due to pay USD 19.5 billion to the governments of rich countries and multilateral institutions, and USD 6 billion to foreign private lenders. The entire USD 25 billion should be given up, at the cost naturally of rich countries’ taxpayers and their banks’ shareholders. Importantly, already in the spring of this year the International Monetary Fund has made USD 50 billion available in emergency financing and the World Bank has approved USD 14 billion as a response package for the most vulnerable economies (BBC 2020a). These resources ought to be transferred in the form of soft credits and grants to the countries most in need, with preferences for support to healthcare systems.

China and India generate about 26 percent of global gross product (calculated according to purchasing power parity, PPP). Changes in global economic dynamics—an increase or decrease in output—depend on these two most populous countries in the world, and therefore the course of affairs there is of great importance. It seems that China may still escape

a decline in production in 2020. However, all this remains in question, so it is not surprising that when some are already announcing a recession, others are predicting growth. This divergence of opinions is not the fault of the methods used for preparing forecasts, as they are econometrically extremely sophisticated, but is the result of walking on statistical quicksand. The model may be very good, while the data entered into it and the assumptions are doubtful, and sometimes become outdated faster than an analytical article describing the situation can appear in print.

India will record a recession instead of GDP growth of over 6 percent as was expected until recently. It will not be able to come away unscathed from the chaos caused by a total lockdown of its population, which was announced on extremely short notice (just four hours!). Lasting a few weeks, the lockdown of the great mass of population shocked both supply and demand in an economy based mainly on small companies and services, which make up 62 percent of GDP. In this poor country, 100 million people are villagers employed occasionally in the cities and nestled in extreme poverty in the slums. The lockdown resulted in the abandonment of many companies and, contrary to intentions, pushed tens of millions of people into the streets and roads, because they saw their only rescue in reaching their native villages, which were sometimes hundreds of kilometers away from where they were staying. Thus the lockdown may have increased the spread of the coronavirus rather than limited it and may have deplorable economic consequences.

We do not know in what direction the situation will evolve in Africa or in Latin America and the Caribbean, but from the global perspective these regions are relatively less important because their economic situations have a smaller impact on the fate of the world, delivering respectively only about 4 and 7.5 percent of global production.

We do not know whether the global recession will be 2, 12, or 20 percent, whether production will decline for half a year and then the economies will rebound and growth will return, or whether declines will be recorded for a year or more. The recession may not last long, but it may take a long time to overcome the depression, which is a protracted period of production at a painfully reduced level, accompanied by mass unemployment. A precise determination of the number of unemployed is impossible, in part due to the difficulty in defining this category. According to the methodology used by the International Labor Organization, before the pandemic, at the end of 2019, there were over 170 million unemployed people in the world, which makes up about 5 percent of the potential global workforce. In other words, we have about 3.4 billion people who are willing and able to work, but unfortunately not all of them can find jobs. We do not know by how many tens of millions—because there will be tens of millions globally—the numbers of the unemployed will increase due to the pandemic. According to an estimate by the International Labor Organization, the coronavirus outbreak is expected to wipe out 6.7 percent, or one fifteenth, of working hours across the world during the second quarter of 2020. This is horrendous because it implies that jobs will be lost by the equivalent of 195 million full-time workers.

We do not know how much the public debt will increase as a result of additional government expenditure and reduced tax and quasi-tax revenues caused by the economic slowdown, and what consequences this will have for the financial markets. During the first 25 days of March, the Dow Jones—the most significant stock market index in the world economy—recorded the five largest daily declines and five largest increases in its 135-year

history. Before the markets calm down they will often cling to one page or the other. This, in turn, will upset investors and market speculators, but, even worse, will destabilize the expectations of business entities with an obvious negative impact on the real sphere of the economy: employment, production, consumption, and investment.

Hectic Times

In the face of large aggravations, it is difficult to behave rationally. Rational people act to their own advantage, considering the information. However, the information is changeable, doubtful, contradictory, and unclear. Even following the rules of formal logic in the decision-making process may produce disappointment. On the macro-social scale, decisions are the result of a clash of emotions, political games, and rational premises. The latter, unfortunately, have played an ever smaller role since the 2008–2009 crisis, due to the collapse of confidence in the governing and opinion-forming elites. All in all, not many policy-makers are rational, because rationality does not lead to political popularity and winning elections (Koźmiński, Noga, Piotrowska, Zagórski 2020). Perhaps the shock caused by the pandemic will shift the center of gravity in the triad of emotions → political game → rationality toward rationality. The possibility of something quite the opposite occurring—a rise of various kinds of demagoguery and quackery, which always appear in times of turning-point crises—cannot be ruled out either.

Exchange rates will also be volatile. They should not be expected to stabilize for many quarters following the apex of the pandemic. The relation between the US dollar, European euro, and Chinese yuan will be key here. Paradoxically, despite the extensive economic crisis in the United States—which is greater than in China and no milder than in the European Union—the American dollar is gaining strength during the pandemic because in difficult times international speculative capital (as it were) trusts the USD more than other currencies.

There is no doubt that the scale of imbalance in public finances will severely deepen in many countries. Except for extremists, no sensible person still protests bold, sometimes radical budget deficits. Even monetarist doctrinaires and neoliberal dogmatists, who were so vociferous in the years 2008–2010 during the extensive financial crisis (Foster and McCheseny 2014), have gone quiet.

This will also have consequences for economic doctrine and political practice. A colorful, heterodox “pandemic economics” will develop, both in its descriptive and normative form. At first, it will be full of innovative and sensible proposals for the use of economic instruments and management methods, but it will also be strewn with various senseless ideas and suggestions. Over time, it will solidify and could form the foundation of post-pandemic orthodoxy.

In the economics of the post-pandemic world, the dogmatic imperative of balancing the state budget will become less pressing. The universal doctrine of the inadmissibility of financing the state budget deficit by an independent central bank will be discarded. The legitimacy of monetizing the deficit through monetary expansion, especially by printing more money, will be reconsidered. Certain central banks, including the American Fed (Ashworth 2020), previously used this method; at present, it is ceasing to be a taboo around the world.

Even if inflation increases a bit, which in recent years has not been a great problem, it will be a cost worth incurring in order to defend employment and production. Relatively higher inflation will be tolerated as one of the ways of financing the servicing costs of public debt. The negative real interest rates of central banks—this anathema of monetary orthodoxy—will be the norm for several years, just as negative government bond yields in some countries may be the norm. This has been happening in Japan for many years. The situation was similar in 2007–2013, when the public debt in rich countries increased from 59 to 91 percent of GDP. Governments have been able to take loans at close to zero or at negative interest rates throughout the past decade.

We cannot be sure what the next decade will bring, but real interest rates will remain negative for at least some time in the leading world economies. As investors from rich countries are more eager to buy government bonds denominated in their national currencies, it is easier to finance the budget deficit there. In poor countries it is much harder, particularly because foreign investors will not be willing to buy these countries' securities. These countries will have to resort to so-called financial repression, that is, forcing economic entities to purchase government bonds bearing interest below the national inflation rate. With time, acquiring funds, including the capital necessary to finance public infrastructure investments and support technological progress and innovation in the economy, may turn out to be much more expensive. How much of the additional public money issued in response to the pandemic crisis should be directed for infrastructure investment and how much for the support of private business to protect jobs is another matter of dispute. Some authors argue that allocating funds to the business sector will be more efficient from the viewpoint of sustaining production and its revival (Frydman and Phelps 2020).

One of the most difficult exercises for countries will be to free themselves from the habit of incurring excessive debt. International financiers and the political and media spheres connected to them are particularly interested in sustaining this behavior. They are the ones who, over the last decades, have promoted financialization based on trading in various forms of debt (McLean and Nocera 2010; Wolf 2014; Tanzi 2013).

Though the human toll was much larger, the Black Death in the fourteenth century did not cause such economic havoc as the current pandemic, because credit played an entirely marginal role. Currently, its role is excessive. Whoever has no debts may come away quite unscathed from the pandemic. Those who have debts will suffer from the breakdown in functioning of companies and households. It is impossible to live or run a business without the institution of credit, but its scale can and should be reduced in the future. This will be beneficial even in healthy times. Whoever has savings will be able to manage a challenging situation and weather the time of crisis easier than someone without any financial reserves.

In the practice of the European Union, in accord with the Maastricht principles of currency conversion (Baun 2019) and the Stability and Growth Pact, member states are supposed to observe limits of 60 percent of GDP for public debt and 3 percent of GDP for budget deficits. For the next few years these regimes will be suspended. Furthermore, the procedure provided for exceeding the budget deficit limit will not be implemented.

As time goes on, governments will also increase taxes, both indirect and direct ones. In the latter case, people in the higher income groups will obviously have to pay relatively more, thus more progressive taxation seems inevitable.

We have to be careful to protect ourselves against the left and right-wing populists who will want to grab as much money from the public purse as possible, of course under the banner of protecting those in need, even if they can cope alone. Even more care needs to be taken with regard to the greed of the wealthier people and their influential lobbyists, who are much better organized than ordinary employees and consumers. We can already see the pressure on the authorities being exerted by organizations which define themselves as employers, as if employing a worker was a charity rather than a matter of benefit to the business. In the USA, the House of Representatives initially blocked the largest intervention package in history—two-trillion dollars—because according to the original proposals of the White House, a lot of the taxpayers' money would go to companies that are doing quite well without help. On the other hand, before the package was finally adopted and entered into force, some were already arguing that it should be at least five times larger. This is nonsense, because that would bring it to half of the GDP, which no one can handle, not even America, which is becoming “Great Again!” thanks to President Trump...

Economics and Politics

President Trump's generosity—after having severely attacked the entire United States by calling the pandemic threat “the Democrats' hoax” a few weeks earlier—is supposed to favor his re-election. The political logic is that since the economic situation will be deteriorating with each passing month before the elections, the resulting political losses must be offset as much as possible by vast transfers of public money. Of course, concern for the “American people” will always be declared, even if their fate is not necessarily considered the most important matter.

The Law and Justice government is showing similar generosity in Poland to ensure the re-election of President Andrzej Duda. His opponents think—not without cause—that the economic situation will deteriorate during the next few months, and certainly until the postponed election. Therefore, political moods will deteriorate as well, resulting in growing dissatisfaction with those in power, including the president seeking re-election, and will act in favor of his opponents. The government's answer will be to spend public funds with a freer hand, especially because the pressure from both the numerous activists who declare concern for human fate and the few rich men concerned for their own fate will be enormous. The government will yield to them. So the later the elections take place, the more expensive it will be for public finances.

Democracy does not come cheap.

It is therefore worth understanding how expensive pre-election periods can be—in the case of elections that precede according to schedule, as well as those that have had to be delayed due to quarantine and radical restrictions on the movement of persons. Much money will be wasted during this time, naturally under lofty slogans—both humanitarian and pro-business. No one can estimate how much money will be squandered, but the subject is already being debated.

In these contexts, four flows of funds will pour out of the sack of money created by the fiscal authorities and central banks. We cannot precisely distinguish these flows from each other, yet they can be described in general as:

1. A stream of socially justifiable resources to protect people's health and life and to maintain the standard of living of those most affected by the crisis and those who cannot cope without state aid.

2. Economically justified outlays maintaining financial liquidity in the economy and stimulating production, service, and investment activities, as well as employment through various forms of relief and subsidies supporting supply and demand.

3. Resources that are grabbed by populists who are indifferent to the hard economic realities and subsequently transferred to poorer groups of the population to a much larger extent than is objectively necessary.

4. Flows seized by strong and unscrupulous business lobbies, which are willing to take advantage of every opportunity to profit at someone else's expense.

The relations between these streams are dynamic and flexible, and different in various countries. While we are trying to imagine their sum, and planning *ex ante* the proper flows of money in political practice, the true amounts will only be known in time, *ex post*. In other words, while we cannot precisely estimate the proportions of these streams, we understand that they depend on the ideology behind the ruling parties, on the practical strength and determination of governments in implementing their chosen strategy of socio-economic policy, on the degree of social cohesion, on business ethics, and on the balance of power among particular interest groups.

While it is worthwhile to support policies creating the first and the second stream, it is necessary to stop the leakage of the third and fourth. The political struggle around these outlays will be extremely brutal. It already is.

The fundamental questions that would have to be asked anyway—and which the crisis provoked by the coronavirus pandemic only highlights—concern the shaping of state and market relations; democracy and centralism; multilateralism and unilateralism; the role of international organizations, both governmental and non-governmental; and above all the dilemma of coordinated global policy and inclusive globalization versus an unfortunate clash of civilizations.

It is increasingly being thought that after the pandemic the world will never be the same. Similar opinions have appeared after each crisis, including after 2008–2009 (Legrain 2010; Posner 2009), when many believed that the world would have to change. Well, this is not necessarily true. The world can remain quite similar to the way it was, because the interest groups that have benefited most from recent conditions—sometimes even shamelessly and cynically preying on the world, either through avaricious neoliberalism or corrupt state capitalism—will do everything possible to return to the *status quo ante*. It will not be easy, so let's hope they will fail as it would be a disgrace to go back to the political and economic disorder that prevailed in the world prior to the current mess. Then what?

First, the Even Greater Crisis—this unique period of conflicts and contradictions, the chaos and anarchy of globalization which results from the overlapping of the mega-trends characteristic of the modern world—will last for a certain time. Nevertheless, globalization will prove to be irreversible. Liberalization and the integration of national economies, as well as of commodities and capital markets, will stand the course, albeit with a certain delay and to a limited degree in the labor force, in one interconnected worldwide market (Rodrik 2011; Stiglitz 2007). This will not happen without glitches, but it will endure pri-

marily due to the attractiveness of free trade and the benefit of global supply chains, as well as to the impact of the current phase of technological revolution on increasing the internationalization of production and services.

Nor can one fail to notice the enormously important globalization of culture (Pieterse 2019; Zelizer 2011). Watching “foreign” movies and reading books written “elsewhere,” listening to songs composed “far away” and traveling there, money permitting—all this is unstoppable. I write “foreign,” “elsewhere,” and “far away” in quotation marks because already in the pre-pandemic world these terms had seemed to acquire meanings more similar to “native,” “in the same place,” and “near” than contradicting them.

So the question is which way will it go? Both in national and supranational systems, where the mechanisms of policy coordination within the United Nations Organization and the G20 should be increasingly important, the game will be about re-arranging relations between the state and the private sector; politics and the market; regulation and supervision; safety and welfare; having more and feeling better; and freedom and spontaneity. In this sense, indeed, the world will no longer be as it was. *It is* no longer as it was.

The syndrome of incomplete globalization may worsen. It manifests itself in the inconsistency between the advancement of economic globalization and the advancement of political globalization, which has not kept pace with it or has even retreated due to the Second Cold War. For several years, in which the rise of a new nationalism has become apparent, tendencies toward protectionism and the desire to loosen external economic connections have been appearing. Now, they may become even stronger for a time and may turn into ill-advised isolationist and autarkic impulses.

On the one hand, all these factors may push a number of countries not so much toward globalization as regionalization. On the other hand, it may weaken the processes of regional integration where considerable advances had been made in the past. The European Union is a special case here. Its fate, in the shadow of the coronavirus pandemic, will be of great importance for the future of the world. This is not solely because it makes the sixth part of global production (still including Great Britain, which is leaving the group), but because as the most advanced regional integration process it will be worthy of imitation—or not—in other parts of the world.

The economic crises of the interwar period aided the rise of fascism, Nazism, and Stalinism. However, one consequence of the Great Depression of 1929–1933 was the creative New Deal in the United States. Thus it is possible for not solely bad things to arise from catastrophic economic collapse. The subsequent Second World War divided the world into two great opposing ideological, political, and economic blocks. The mass of poor people in the so-called Third World lived in the shadow of their confrontation. Today, the situation is different because this “third world” has over 85 percent of the world’s population and provides over 60 percent of world production. They cannot be relegated any further to the “emerging markets” category championed by neoliberalism, because by now they have emerged sufficiently and are visible on the world stage as increasingly emancipated economies and polities (Kolodko 2011; Lin 2012). This time they will have much more to say and will contribute significantly to the new, post-pandemic world order. In regard to the concepts behind that order, it will be necessary to listen not only to voices in London and Washington, Paris and Tokyo, Berlin and Seoul, but also in Abuja and Ciudad de Mexico,

Jakarta and Cairo, Bangkok and Istanbul, and especially Beijing and Delhi. And let's not forget Moscow.

Geoeconomics will constantly intertwine with geopolitics, thus the interdependencies and feedbacks occurring in these areas must be carefully observed. There will be great dangers, because in the absence of unambiguous, clear global leadership, in such an unstable world, China, which is growing, and the United States, whose relative position is weakening, will increasingly be competing for primacy (Brown 2017). Friendly competition would be fine, while hostile confrontation will be devastating. This is especially dangerous because if the US loses its significance at a time when it was supposed to be "First!" and "Great again!" it could behave impulsively, aggressively, and irrationally. To a certain extent this can already be seen. China's response will most likely be calm and pragmatic, but this is also far from certain. What is important is that China will not give up its Belt and Road Initiative (Maçães 2018; Kolodko 2020) but will be eager to push it forward with new impetus as soon as the pandemic is behind us. While certain countries will give the initiative their vigorous support, others will approach it with reservations and suspicion because it may diminish their international influence (Obbema 2015; Economy 2018). Sparks may fly.

The Winding Paths of the Future

In the future, we will wander in search of the right path. One path involves an unlikely return to the past, to the disgraced "business as usual" model, while another leads to capitalism with limited democracy. Of course, there is some rationality in transferring certain areas of public affairs to the management of competent and efficient technocrats. But in the contexts discussed here limited democracy implies that the ruling elites and their servile bureaucracy dominate certain areas of public discourse and the decision-making procedures based on it. In this case, great care must be taken to ensure that the temporary restrictions imposed on the movement of people and information, goods and capital—including intellectual capital—do not become permanent. More and more countries are already moving in this direction: Russia with President Putin; Turkey with President Erdogan; the USA with President Trump; the Philippines with President Duterte; Egypt with General as-Sisi, who came to power in a military coup; Congo with President Tshisekedi, who exercises power with the support of the West, although he was by no means elected in the democratic way so praised by the West; Myanmar, whose system is defined in its constitution as a "disciplined democracy"; and Hungary with Prime Minister Orbán, who proclaims the idea of "illiberal democracy." We definitely need discipline and democracy in the future world, but not necessarily a "disciplined democracy."

Yet another path is that of "Chinism"—a mono-party system in which meritocracy rules, with ownership pluralism in the economy and a flexible power synergy between the invisible hand of the market and the visible hand of the state (Kolodko 2018). This is not a proposal for highly developed countries, but it may become increasingly tempting for the ambitious emancipating economies, in particular in Africa, southern Asia, and the Middle East, and on a smaller scale in South and Central America, due to the traditionally strong American influence there. It may prove to be an attractive political model, because China

has not only been very successful in managing incredible economic growth during the past four decades, but also because in the fight with the coronavirus pandemic it has been coping better than many of the democratic countries. This occurrence is impressive and has positive meaning in politics.

The best path would be an inclusive globalization based on cooperation between social market economies, to which as many countries as possible should evolve in the post-pandemic world—of course, with their own culturally embedded characteristics. Such globalization also requires an appropriate synergy between market forces and state policies, as well as a new style of international coordination. The functioning of economies must be based, to a greater extent, on a new pragmatism which would take into account the need for moderation and for triply sustainable development: economically, socially, and ecologically. Then there will be more harmony, empathy, and tolerance, and less exploitation, injustice, and hostility.

The chance for this path to be taken is increased by the fact that even though there are conservative and nationalist politicians in power there are also liberal leaders such as the President of France, Emmanuel Macron. According to the *Financial Times*, he says that

he hopes the trauma of the pandemic will bring countries together in multilateral action to help the weakest through the crisis. And he wants to use a cataclysm that has prompted governments to prioritise human lives over economic growth as an opening to tackle environmental disasters and social inequalities that he says were already threatening the stability of the world order. But he does not hide his concern that the opposite could happen, and that border closures, economic disruption and loss of confidence in democracy will strengthen the hand of authoritarians and populists who have tried to exploit the crisis, from Hungary to Brazil (*Financial Times* 2020).

He might have added, “to the United States under the presidency of Donald Trump,” but that is something the President of France could not do for diplomatic reasons. We must state it because it is substantively correct.

The future will be a combination of these four paths; none will come to be the sole path followed. The heterogeneous system will be fluid and conflictual. Obviously, its shape will depend on in large measure on how the pandemic will evolve and how the Even Greater Crisis will unfold.

No matter which path prevails in one country or another, the greater use of artificial intelligence, robotization, e-learning, and remote work will bring changes everywhere, although with unequal strength. The fight with the pandemic will accelerate such change. The extent of population surveillance based on modern technologies will increase significantly, and not only in authoritarian states. In democratic countries, the range of surveillance will be a subject of constant dispute in the public discourse and politics, but it will increasingly turn out that what is technically possible (and even more will be possible in the future) will prevail politically.

In the post-pandemic world, the relative strength of individual countries and regions will change in favor of emancipating economies. This is good news, because income inequalities between countries and regions may decrease, and this in turn may weaken migration trends and international tensions that build up in this respect.

The role of some international organizations must increase, in particular the World Trade Organization, the International Labor Organization, and the World Health Organization. The United Nations Organization and its agencies will be thoroughly reformulated to

expand their prerogatives. As the emancipating economies gain in economic weight their role in international organizations will rise.

The good news is that in this erring world many beneficial developments will still take place, including constant improvement in the quality of human capital and enormous scientific and technological progress. The epidemic has temporarily locked billions of people in their homes, but thanks to the dynamic development of Internet platforms, millions do not have to commute to work, because it turns out that they can perform their tasks from home. On the one hand, this may fundamentally change the way people work; on the other, it radically shortens working hours, which include commuting. Smaller traffic jams, smaller crowds in public transport, more hours each day to enjoy life. All this does not compensate for the shortages of political capital—the ability to meet challenges, to counteract conflicts of interests, and solve problems—but it creates opportunities for improvement, even as the pandemic rages on. It is thus all the more important not to make mistakes on other fronts. The art is to recognize an error in advance.

Conclusions

We will draw conclusions after the pandemic. First, we need to survive it.

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