



Virtual discussion summary

British German alumni: staying connected in 2020

Facing the economic impacts of COVID-19

Tuesday 28 April 2020 | WP1789

A virtual discussion was held in association with the UK Foreign & Commonwealth Office and the British Embassy in Berlin and with support from the Sir Heinz Koepler Trust and Bridge International Dialogue.

Summary

These are unprecedented times economically with extraordinary fiscal measures being taken by governments to sustain economies in response to the pandemic. However, such measures are not sustainable for any length of time. Whilst heavy reliance is being placed on the creation of a vaccine for local, national and global economies to recover.

Market-based economics and global production chains predominated before the COVID-19 virus hit. These approaches have shaped government economic and fiscal responses to manage the impact of the pandemic. However, big questions are raised about the longer-term economic futures: What type of economic recovery will there be? What will the new normal look like? Will a new economic form emerge?

Several key points emerged from this virtual discussion, including:

- **Neoliberal economic systems have been dominated by the markets – but is this now going to change?** Will governments and populations believe that markets are the best way forward, or will a new economic form emerge that is not driven by markets?
- Whilst it's too early to tell yet, **there are signs of huge economic disruption, and the potential for significant change to the way businesses operate;** short term significant inflationary pressures; simplification of businesses and supply chains; reshoring/onshoring of certain manufacturing (but increased costs), leading to **a shrinking of global trade and greater power of the large multinationals or 'oligarchies'** (for example it might prove easier for governments to deal with a large company than multiple smaller ones).
- **Germany was in better shape economically before COVID-19** but has higher export dependency; **the UK is more consumption and service-based, and yet also still awaiting the full impact of Brexit with anticipated hard impacts in addition to that of COVID-19.** Major impacts of the virus may be handled in the coming years, but the UK leaving the European Union is permanent.

- Psychologically, **in Germany more businesses believe that things will return to normal**; in the UK more think that any recovery will take twice as long.
- Significant changes are anticipated in how to evaluate the risk landscape. In terms of **consumer behaviour**, the new normal may be very different, with the restaurant, leisure and retail sectors being hit the hardest in the longer term.
- There is an opportunity to lock in **new behavioural change** that could be **beneficial for the climate**, moving towards low carbon. Cities are leading by example in their approaches.
- **Greater automation and speeding up of digitalisation** are likely to accelerate in the post-COVID economy. This has the risk of leading to **greater inequalities** with the lower-skilled being displaced (yet having been at the forefront of keeping essential services going) and leading to greater labour market polarisation.
- **Governments will become stronger**, taking extraordinarily bold decisions now. They will need to think about new industrial strategies and policies; and how to manage the inequalities. **Will the crisis, which has produced such a shock, lead to a change in politics?**
- There has been an **intense amount of policy learning**, both in terms of how to provide economic support but also in how countries are trying to maintain control over the spread of the virus and manage health responses accordingly, whilst also trying to free up segments of the economy.
- **UK and Germany can learn from each other's policy approaches, and can collaborate**, for example through the G20.
- Individuals have the opportunity to **use their agency to make change that they want to see**.