

# Economists and COVID-19: Ideas, Theories and Policies During the Pandemic

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## Introduction

COVID-19 emerged in the late 2019 to later affect most of the world in early March, when it was declared a pandemic by the World Health Organisation (WHO). Of the three pandemics the world had witnessed in the 20<sup>th</sup> century, it was the Spanish flu of 1918-1919 which hit the most, having left at least fifty million deaths worldwide (2.7 per cent of the then world population).<sup>1</sup> In the early days of the COVID outbreak, with no effective medical treatments readily available, the shadow of the Spanish flu loomed in the public perception. A representative group of earliest-hit countries (China, Japan, South Korea, Italy) immediately set up a whole array of non-pharmaceutical restrictions, such as bans on international and domestic tourism, national and regional lockdowns, closure of non-essential businesses, homeworking arrangements to curb infections and prevent the health systems from collapsing. Closure of schools, universities, government offices and public places followed suit.<sup>2</sup>

As the virus relentlessly engulfed the rest of the world during March,<sup>3</sup> governments across the globe implemented, though with slightly differences in timing, those same restrictions against the novel virus. Along with health advisors, epidemic authorities and logistics experts, also economists (both academics and professionals in capacities such as government advisors and in policymakers) had their say in discussions leading to adopting measures. Not without delay, the oncoming consequences of such measures on the economy and the society, and their later implications, became the bone of contention in some public debates. The much-cited 'health vs the economy' dilemma served the purpose to convey the issue at stake before *any* restriction was implemented. Yet, this trade-off cannot be posed in abstract, but within specific boundaries conditioned by the context of ideas,

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<sup>1</sup> Source: <https://www.cdc.gov/flu/pandemic-resources/1918-commemoration/1918-pandemic-history.htm> .

<sup>2</sup> For a thorough, daily timeline of the evolution of the pandemic, see: <https://www.thinkglobalhealth.org/article/updated-timeline-coronavirus>

<sup>3</sup> As of early March 2022, the number of COVID-related deaths stands in 5.9 million people (0.08 per cent of the world population), far too less than Spanish flu. See: John Hopkins, Coronavirus Resource Center Dashboard: <https://coronavirus.jhu.edu/> (accessed on 5<sup>th</sup> March 2022).

institutions, communities of experts and opinion makers, and the media, from which the actual protagonists nurtured their own participations in the discussions on the best responses to the crisis.

This book attempts to provide an abridged account of those debates for a selected number of country cases, by describing, classifying and examining different intellectual reactions to the pandemic on the part of economists and related experts. Short-term range questions such as how to finance the burden of lockdowns or whether and/or when to lift income allowances to the poorest, among others, were intertwined with long-term issues such as how to tackle income inequalities or whether to break from the dominant austerity paradigm in policy-making. Even deeper issues such as to what extent the dominant paradigm in economics is apt to cope with crises like these were put on the table. Expecting a massive negative impact on all the economies, the measures to mitigate it were discussed by economists and experts trained in different theoretical schools of thoughts and imbued in their respective domestic economic problems.

The countries covered in this book, following the order of the chapters, are China, India, Palestine, France, Russia, USA, Argentina, and Brazil. The time-period covered roughly spans from March 2020 to the end of 2021.

Each chapter, after outlining the salient macroeconomic features before the outbreak of COVID-19, offers reconstructions and interpretations of the different perspectives held by the community of economists within each country experience. In this book, the community of economists is largely defined as those experts and learned individuals working in the academia, research institutes, think tanks, central banks, government and the media, and whose professions as scholars, advisors, opinionmakers and policymakers during the crisis gave them a salient prominence in the debates, thus helping them become “public intellectuals”. The chapters collected in this edition provide context and factors explaining the influence of these public intellectuals in the national discussions on how best to face the challenges by COVID. While some chapters exclusively focused on the academic discussions, by conducting bibliometric research (chapter 6 USA), other chapters (Chapter 5 Russia; Chapter 8 Brazil) combined surveys of academic and media economists, others focused on surveying the participation of economists on media outlets and platforms (France, Argentina), still others on the role of economists in government (China, India). Yet all chapters – not without running the risks of falling into broad generalisations – managed to do a good job categorising the different communities of economists within each national reality either in terms of the traditional classification of the schools of economic thought between mainstream and heterodoxy (USA, Argentina, Brazil, India, Palestine, France) or in terms of adherence and/or openness to the influence of foreign (Western) ideas (China, Russia).

Given the heterogeneity of the country-cases here presented, as well as the nature of this editorial collection, the conclusions drawn from this work can only be provisional.

As expected, different national experiences also produced different patterns in their response to COVID. The much-cited “health vs. the economy” dilemma could be useful to wrap up some of them. Although this dilemma has been considered as a false trade-off, countries either explicitly or implicitly have actually swayed towards either side. For example, while Argentina openly opted for the health side other countries such as Brazil and to a certain extent India implicitly inclined in favour of the business side. Further, even though the Chinese experience may have looked like as the extreme case of restrictions to protect the health and well-being of the people, China has been the fastest country to enter the post-COVID era in 2021, thus indicating that China faced the crisis better prepared than many other countries, probably the rest of the world, as the country merged the challenge of COVID into the centralised administration of economy and society.

Another lesson we draw from the chapters is that the pandemic did not bring with it any significant changes in pre-existent theoretical approaches or ideological divisions. Rather, economists of different orientations relied on their backgrounds to elaborate on COVID-related policy proposals and continued to propagate their ideas in the same media bubbles as before. Economic expertise proliferated indeed, but the voices of experts were often dissipated in the information noise. Neither 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 making them the cornerstone of their responses. Lockdowns, shutting up of borders, close of non-essential business, on the one hand, and fiscal and monetary policies aiming to keep a bare minimum of economic activity, on the other, were a common pattern.

Economic policy under the pandemic by no means was business as usual. Yet it generally suited the mode conveyed with the famous expression from *Alice in Wonderland*: “It takes all the running you can do, to keep in the same place.”

A standard textbook model assumes that the task of economists is to build robust models to test theoretical hypotheses in order to provide politicians with reliable forecasts of the economic situation and the ensuing policy proposals. During the pandemic the models and forecasts have abounded indeed. But the extraordinary situation highlighted an important social dimension of the way how the economic profession functions. In order to be influential, economists should belong to the

establishment, should have access to the offices where the decisions are taken, which in turn precludes the formulation of the proposals that run against the establishment's creeds.

In such a framework, policies can precede to models, which in fact was the case in drawing anti-COVID measures across the world. This made those economists who do not belong to the existing bloc of political, academic, cultural elites either to accommodate their theorizing to new trends or use those trends as targets for previously held critique of 'the mainstream'. The pandemic crisis did not contribute much to developments within critical approaches in economics. What happened to "the mainstream" then?

Here comes the great silent of modern debates, an elusive construct guising 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 criticisms from diverse communities of 'heterodox' economists of the past decades. However, rarely did academic economists or 'public intellectuals' allegedly attribute to "the mainstream" acknowledge this allegiance or even conceive of themselves in these terms. For them it is most usually just *the* economics applicable to *the* modern world evolving towards the globalised market unity, few 'rogue states' and numerous signs of cultural resentment notwithstanding. We shall not enter here into discussing the definitions or reviewing the vast literature on the subject. Throughout the chapters we intentionally left intact the definitions proposed by authors assuming that they convey meanings pertinent to the original context, even if we understand that this leaves much room for ambiguity.

Our reading of the chapters in this volume suggests, however, that the bulk of the policies to fight COVID suited to the task of upholding the status quo conforming to the pre-existed theoretical and ideological consensus. Those were the wartime measures to end the war against COVID and restore the 'normal conditions' as soon as possible. Those were the measures adopted by the political leadership and implemented by the extensive bureaucratic apparatus of the modern states. Those measures induced the proponents of '*the* economics' all over the world to react to them on theoretical grounds. The task was not trivial as restrictions put on free trade and paternalistic regulations of individual liberties go contrary to its core ideological principles laid down in the eighteenth century and to its core theoretical assumptions laid down with the advent of marginalism in the 1870s–90s. To this end, 'mainstream' (neoliberal, liberalist, etc.) economists demonstrated a remarkable flexibility. That cannot be explained by the shock of COVID alone.

The first major opening towards non-orthodox measures hitherto unimaginable in the framework of the global consensus over economic policy was made with monetary policy adopted in response to the Great Recession, first in the USA then in Europe. COVID only extended that openness to other

spheres. In the same manner the belief in virtues of free trade — the pinnacle of economics since the eighteenth century — had not reigned unchallenged even in the centre of the global economy, as exemplified in recent outburst of economic nationalism during the Trump administration. The switch to the COVID mode was, thus, unprecedented in scope (and in appearance exacerbated by the overall uncertainty) but not in essence.

On theoretical grounds, since the 1960s–70s the applications of the marginalist logic of utility maximization to the spheres that originally were not considered as eligible for rational choice (marriages, crimes, healthcare, institutions, accumulation of ‘human capital’, morals, etc.) has greatly extended the microeconomic foundations of ‘*the economics*’. Macroeconomic models may still not fully incorporate those developments (though the discipline of macroeconomics has changed significantly since the 1980s–90s due to the former). But students of economics all over the world begin their studies with such maxims as ‘people react to stimuli’. The implicit meaning is: stimuli can be used in order to adjust human behavior (correct the choices resulting of individual utility maximization) so as to ensure the maximization of social utility. Now, it is only natural to conceive that stimuli imply ‘sticks’ as well as ‘carrots’.

Here comes an interesting result suggested by the chapters in this volume. The ‘neoliberal’ consensus established since the 1980s still holds on the global arena. The pandemic only shifted its limits of acceptability towards a more paternalist side, but the shift itself had begun earlier. ‘*The economics*’ — modern standardised and internationally acceptable set of economic models, theories, disciplines — is the element of this consensus. It correspondingly demonstrated an openness to policies that earlier could have been regarded in its framework as ‘leftist’ or ‘authoritarian’.

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

On one opposite side there is Palestine, a nation without political sovereignty. ‘The mainstream’ economics reigns in the Palestine economic profession, while Palestine authorities could not properly adjust their policies even within the new limits of what is acceptable due to the lack of political instruments.

On the opposite side there are advanced nations of the centre of the global economic order — the USA and France. There, the extensive economic professions comprise of diverse communities (even if the majority of academic economists belong to ‘the mainstream’). Academic debates are closely intertwined with political and cultural ones. ‘The mainstream’ in those countries proved to be more flexible in theoretical adjustment to the new reality, while big developed economies allowed for

resources necessary to implement (or try to implement, as was the case with some measures failed in the USA due to the opposition of legislative and judicial powers) the hard anti-COVID policies.

In between there are big economies with the presence of backward economic sectors and strong external constraints — Brazil, India, Russia. The standings of ‘the mainstream’ in universities are strong in these countries, even if it faces there a stronger theoretical opposition than in the universities of the center. However, the policymaking cannot be understood in terms familiar to the West. With all the huge differences between Bolsonaro’s Brazil, Modi’s India, Putin’s Russia, economic policies to fight COVID there were more in line with the neoliberalism of the 1990s edition, than of the early Washington consensus. Social packages were rather modest to avoid additional fiscal disbalances, while the imposed restrictions — rather mild as compared with ‘the West’. Not surprisingly, the governments of these countries were blamed by critics for prioritizing economy over lives.

Argentina was a special case due to the peculiarities of its economic and political situation. When COVID hit this country, the new government had to sort out one of the toughest inheritances of the previous administration that had followed the neoliberal agenda (2015-2019): a multi-billion IMF loan signed off in 2018, which constituted itself in the biggest obstacle to put the economy back on the growth path. Yet, deliberately categorical economic decisions were taken in virtue of saving lives at the cost of impairing the economy. A country crossed by a history of political and economic schisms, its economic policies have swayed between the ‘liberalist’ programme towards the more government-regulated one, with a focus on improving the manufacturing sector and on leaving away from the heavy reliance of the economy on its agro-export model. The latter being the mainstay of the current administration, little doubt that the country’s long-standing ideological divisions impinging on the economic debate would reappear in the heated discussions among economists during the COVID crisis.

The case of China stands apart from this classification. There, the role of economists in policymaking is not altogether dissimilar, but the ideological standing of the political leadership, indeed the standing of China on the global arena, is totally different from the ‘neoliberal world’. ‘Mainstream’ economics did gain substantial terrain in Chinese universities and research centres from the 1990s onwards. But under the current political leadership, it seems, its impact has been curtailed. The Chinese policy of the West since the 1990s assumed that the attachment of the Chinese economy to the global market would eventually transform China’s political and social system from within. This does not seem to be the case so far. At any rate, China is the greatest unknown in the current global scenario, and developments in Chinese economics during the pandemic outlined in this book appear to be quite revealing in this regard.

This book has been intended as a study in the history of recent economics. With this aim a team of colleagues were brought together to provide glimpses into how the economic profession has reacted to the many challenges brought about by COVID-19 in different contexts. The task was challenging as, in a way, this is still an ongoing process. Unlike the historians of past epochs, we did not (and still do not) know *the end* of this particular history. Yet, historians or not, we all equally face the uncertainty of the future. History is not exclusively the knowledge of the past. It is also a process that drives us all to the future, which we cannot know. At best the study of the past may provide us with a better understanding of the processes in the present. If our efforts account for whatever modest advance to such an understanding, we would consider our job accomplished.