

## **BREAKINGVIEWS: Recovery requires greater cooperation**

### **Come together**

7 April 2020 By William Rhodes and Stuart Mackintosh

The coronavirus threatens thousands, possibly millions of lives across the globe. It is first and foremost a health crisis and the disease must be beaten, and the curve of Covid-19's spread must be flattened for our lives to return to something approaching normalcy. But what of the economic damage, our governments' responses, and the outlook going forward?

Should we expect a V-shaped recovery – a rapid rebound from an economic standstill? In our view it is increasingly likely that the world faces a longer, harder, much more fitful, difficult path to normalcy. We must gird ourselves for the long haul. That requires much greater coordination internationally of our responses to maximize the impact. So far that crucial piece of the puzzle has been missing.

The G20 response to date has been ineffective. Its weak statement on Covid-19 is a shadow of the 2009 London summit and the massive coordinated fiscal stimulus that UK Prime Minister Gordon Brown at the time secured from the world's leaders acting in concert. This most global crisis needs global solutions, but a lack of strong leadership instead has resulted in name-calling, accusations of blame, and national inwardly focused partial solutions.

A globalized economic response would focus on turbocharging production in key health sectors and industries, reinforcing supply chains, and supporting the smooth operation of the trading system, its institutions, and firms. Now is not the time to alienate allies and historic competitors. Every nation faces the same dangers today, and countries that are on the mend can support those still struggling with the acute phase of the health crisis.

The Federal Reserve understands this. The central bank acted vigorously, slashing rates and triggering a huge program of quantitative easing, and swap lines for leading central banks across the globe, ensuring the U.S. dollar was available and markets did not screech to a halt. Chairman Jay Powell provided global dollar liquidity for a dollar-desperate world economy.

The massive national fiscal stimulus programs should be coordinated with G20 leaders addressing the most immediate problems and restarting economies. The vast public investment of countries' scarce resources should, and must, also help shape our future. Carefully

coordinated and crafted, these injections can speed the shift to a carbon-neutral economy. The stimulus should also harness and hasten the digital transformation that was underway before the virus struck, and which will form the basis, together with the green economy, for the next industrial revolution.

We need to be sanguine about the slow and choppy nature of a recovery when it comes. Even as China, South Korea and other states emerge from the other side of this nightmare, we cannot expect a swift return to growth. After all, China cannot restart fully if large parts of the rest of the world remain sheltered in place. We also cannot expect China to stimulate its economy and the global economy to the extent it did in 2009 because of its financial limitations. Europe and much of the United States are on lockdown and are surely in recession. And the pandemic has yet to hit India, Latin America and Africa with its full force. This means the recovery will be slow, uneven, and fragile – even if authorities succeed and flatten the curve, country by country.

Finally, and terrifyingly, we would do well to remember that the 1918 flu pandemic had three waves of infection. Each time, countries thought they had beaten the virus, only to find it surging again. Killing again. Let us be clear. This has probably just begun. The struggle to quash the virus may take longer than leaders will want to recognize, and the economic impact will be severe, the pain will be physical and economic, and will continue into the summer and fall, and possibly longer. We hope we are wrong. We fear we are not.

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