

## **The Economic Consequences of the Covid-19 First Wave and the New International Scenarios. An Historical Dimension**

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### **Abstract**

The Covid-19 crisis is urging scholars to ponder the perspectives of the globalization process which started at the end of the XXth Century. The pandemic is creating a sense of insecurity and uncertainty which has few precedents in the current age, pervading wider and wider sectors of the population. Moving from the analysis of the first wave of the pandemic (March 2020), this essay proposes a model of analysis of the effects of the pandemic by framing the economic emergency produced by it from a historical and theoretical perspective. The paper will also try to indicate the traits and the model of a new economic paradigm: the birth of a new globalization that would surely feature competitions between its biggest geoeconomics areas, but that would also offer the opportunity to promote novel perspectives for development and to achieve a brand-new convergence between the private and public interest.

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**Keywords:** Covid-19; crisis; business cycles; uncertainty; economic systems

## **1. Introduction**

The Covid-19 crisis is urging scholars to reflect on the prospects of the process of globalization of the economy. The new globalization of the last twenty-five years - the third of the contemporary era after that of the nineteenth century and that of the second half of the twentieth century (Baldwin, 2016) - has been accompanied by a clear redefinition of international balances which has led to a review of the role of different world geo-economic areas. This is even more relevant since it occurs in a context marked by three different phases in a relatively short period of time. The first, between the end of the 1980s and the beginning of the new millennium, characterized by the expansion of international markets based on the principles of Western capitalism supported by the spread of the *Washington Consensus*. The second, which began in the early years of the new millennium, saw the progressive affirmation of the new world players able to compete with the traditionally advanced countries and which saw a progressive redefinition of the shares of world GDP produced by the various economic areas. The third, which started after the “long wave” of the 2008 crisis and defined by two increasingly interrelated elements: the development of the new circular economy and the spread of the industrial revolution characterized by the application of digital technologies to the factory system (Osterhammel and Petersson, 2003; Eichengreen, 2008). These changes have been accompanied by new social models and the organization of production relations that have marked some important discontinuities with the past in terms of social security and welfare models (Beck, 1986; Harvey, 2010; OECD, 2011).

The forecasts updated by the OECD in December 2020 indicate a possible fall in world GDP in 2020 equal to -4.2% and a recovery of + 4.2% for 2021 (OECD, 2020d). The divergence between the various global geo-economic areas appears to be confirmed - albeit on different quantitative levels. According to the OECD, in fact, the United States should show a rebound in 2021 (+ 3.2%) capable of essentially recovering the losses expected in 2020 (-3.7%); China should instead reach + 1.8% in 2020, to go up to + 8% in 2021; finally, for the Euro area, a fall of 7.5% is expected in 2020 and a recovery of + 3.6% in 2021. It is important to point out that within the same European countries there are differentiated behaviors. These estimates are still forecast and can only partially consider the evolution of the pandemic in the coming months for international health and economic systems. We are therefore in the presence of an exogenous shock that has already resulted in an extremely significant impact on the productive fabric and employment of European and world societies, also increasing social inequalities within the traditionally advanced countries themselves (Deaton, 2021). This process, briefly outlined above, is increasing a sense of

insecurity and uncertainty that has few precedents in the present age, pervading ever larger sectors of the population. Moving from the analysis of the first wave of the pandemic (March 2020), this essay proposes a model of analysis of the effects of the pandemic by framing the economic emergency produced by it from a historical and theoretical perspective. The paper will also try to indicate the features and the model of a new economic paradigm: the birth of a new globalization that would certainly see competitions among its major geo-economic areas, but which would also offer the opportunity to promote new development prospects and to realize a completely new convergence between public and private interests.

## ***2. The various scenarios of the economic impact of the coronavirus pandemic. The first wave***

The arrival of a new form of disease such as COVID-19, unknown to date and with unpredictable consequences in its global reach, has changed the sense of history. Indeed, it seems to be like experiencing a return to the past, which brings the world back into a condition of absolute uncertainty and randomness, at this stage making little use of the extreme progress of the ability to make predictions with highly sophisticated algorithms. Neither the manifest assurances of physicists dealing with epidemics, according to which there are several predictive models in this field, nor the results, initially unexpected, obtained after the spread of a virus like Zika in Latin America in 2016, do not change this perception. The description of the latter case – and its generalization – by Alessandro Vespignani, one of the most important scientists in global forecasting, is very clear: «Initially it seemed an impossible mission, then piece by piece we began to put the data together. [...] In these calculations, human mobility is always important: it is we who can travel thousands of kilometers in a few hours, potentially exporting the virus anywhere [...]. The first results were not encouraging. At some point, however, we realized that a fundamental piece was missing to complete the forecast. We had to include individuals' socioeconomic conditions in the projections. [...] It was then necessary to insert other data into the algorithms, and this was how we managed to project the future evolution of the epidemic between 2016 and 2018, with results that were used by international agencies to identify the sites most at risk and to evaluate the effectiveness of a vaccine against the virus. [...] They were, and still are, algorithms that are imperfect, no doubt, but that become more refined every day, and are close to fulfilling an ancient desire of man: a tomorrow without secrets, totally predictable and therefore, above all, controllable»

(Vespignani 2019, 19-22). However, the predictive ability of the algorithms<sup>1</sup>, despite the availability of massive amounts of data, is not able to overcome the common feeling of insecurity and bewilderment and to remedy the difficulty of making predictions, at least in the short term and certainly in an increasingly complex reality, as in the face of the coronavirus phenomenon. The world, which has never possessed a level of knowledge, machine learning and “artificial fortune tellers” like the current ones, freezes and seems to get lost.

This era is characterized by an evident contradiction between its enormous scientific potential and its ability to employ this potential immediately, transforming it into effective means of advancement of the society and the economy, of governing exogenous phenomena and crisis management, through adequate political decisions. Two authors as Ian Goldin and Chris Kutarna, in a volume that also promises a “new golden age”, described today’s “flourishing risk” starting from a historical precedent, that of the plague: «[...] this was something new, something crueler. [...] It also spread quickly, [...] the mysterious disease had terrorized towns throughout Italy, France, Germany and Switzerland. By the following year it had hit Holland and Greece; the year after that, England and Scotland. Within four years of its first appearance it already touched the whole of Europe. Within another five years, except for some still-isolated exceptions, it was global» (Goldin and Kutarna 2016, 266). The differences today compared to that time essentially concern the speed of expansion of the calamitous events, the number of people affected by them and the much higher costs that follow. In this unprecedented context: «We all need to develop a heightened concern for a particular kind of risk. It is not the direct danger that confronts us daily – things like getting hit by a car or being robbed. We’re all well aware of such specific hazards already. Rather, it is the risks we don’t see – the kind that creep slowly below our threshold of observation, and then shock all of us together. These “butterfly defects” are widely felt but hard for anyone to see coming, because their causes are far removed from our day-to-day experiences and concerns. Such risks are not specific; they’re *systemic*» (Goldin and Kutarna 2016, 267).

The two scholars concluded this analysis, noting that, despite epidemics having always been a recurring circumstance of human society: «What is new is the emergence over the past few decades of fast-moving *pandemics* – viruses that spread easily among humans and can infect patients *worldwide* within a short time after their initial outbreak. Already in the

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<sup>1</sup> Just the same Vespignani stated: «Simplifying, we define ‘algorithms’ as a series of precise instructions and mathematical expressions that we use to find associations, identify trends, extract the laws and dynamics underlying phenomena such as contagion, the spread of ideas, or the trend of financial markets» (Vespignani 2019, 24).

twenty-first century, humanity has confronted several such pandemic threats» (Goldin and Kutarna 2016, 274). And even though mankind has so far been able to face these “new global health challenges” and has managed to get the better of most cases: «[...] it is a biological certainty that pathogens will relentlessly assault our increasingly packed and interconnected populations and seek to turn our global shipping and transport infrastructure against us. Nature never gives up» (Goldin and Kutarna 2016, 285-286). Because of the disparity that this will create between scientific potential and concretely available tools, between technological progress and unexpected events, between innovation and global complexity, our near future depends on our possibility of truly starting a new renaissance.

The economy is course of a great transition from a consolidated structure to a new world, which is definitely moving away from the Fordist archetype. The first wave of the pandemic, which suddenly arose on the stage, changed the cards on the table of a planet in search of recovery, as Richard Baldwin and Beatrice Weder di Mauro noted in an instant book published on March 6, 2020, the result of a collective effort: «Just six weeks ago, the world economy seemed well on the way to a nice recovery; trade and political tensions were seen as ‘not so bad’, growth projections were rosy, and financial markets were cheery. Now all bets are off. As COVID-19 spreads around the globe, it has become clear that it has the potential to derail the world economy» (Baldwin, Weder di Mauro 2020 a, 1). And if the risk of a derailment of the world economy appears clear, the size and persistence of the economic impact of the new coronavirus are not at all obvious. The scale of this crisis, comparable only to the Spanish flu of 1918, will result from the duration, extent and damage caused by the pandemic. If, initially, it seemed that the turbulence concerned only China (and, subsequently, Italy) and could be short and acute, making the trend of the macroeconomic indicators take on the characteristic of a “V” shape, with a sudden fall of the economy followed by a speedy recovery, it was necessary to take note of the worldwide spread and the serious danger of the epidemic in health, social, production and market terms. The representation of this dynamic, has therefore changed its shape, with a “U” which, with increasing concerns about the fate of the economy, is getting longer and longer at the base, making the prospect of exit from the crisis and the possibility of an ascent phase more uncertain. In the case of an even darker picture, with the appearance of a “black swan of black swans” and, therefore, of a structural deterioration of the production system, with vast financial implications, the economic trajectory could turn into a “L” shape or an extended “W” (double dip). Finally, in extreme circumstances, the model would assume tremendous implications, with an “I” shape, which would indicate an unstoppable drop in GDP. As it is claimed by the two authors of the aforementioned volume:

«[...] the bottom line is that while there is too much uncertainty to be certain about outcomes, it is clear that this economic shock could cause lingering pain and perhaps leave deep scars – far larger than the other post-war pandemics» (Baldwin, Weder di Mauro 2020 a, 2). The lasting suffering and the deep scars that this global crisis could leave, despite the difficulty of making predictions given the circumstances, appear very clearly from some of the first assessments on the scenarios relating to the economic consequences of the pandemic. Even if these economic forecasts should prove to be far from the eventual reality – and, given their having been elaborated in the initial stages of the spread of the phenomenon internationally, they could underestimate its systemic impact – they still contain a very advanced analytical detail and are useful references to assess the conditions that are approaching, the immediate measures to be taken and the measures to be started to prepare for a medium-to-long term logic.

Within the model proposed by Deutsche Bank, an abrupt and serious economic impact emerges even outside China, due to fear and restrictions on activities, but of relatively short duration. It must be considered, however, that the bank's processing is in early March 2020 and that the growth rate of Chinese GDP, after a drastic decrease in the first quarter of this year, is estimated to have significantly recovered by the second quarter. In addition, the study argues that this pattern can be repeated with the same trends, but with a delay of a few months, in Europe and the United States, following the spread of the virus. As a result, the model approaches the "V" shape, although it presents a lot of uncertainty in the projections. It shows the possibility of further contractions, which would bring the stock market down by 30% and would significantly depress bond yields for a certain period of time. However, in an update of March 18, 2020, the Deutsche Bank economists revised their global growth forecasts for the first half of the year downward, presaging a severe crisis due to COVID-19, the effects of which appear far greater than initial estimates (Deutsche Bank 2020). The impact of the pandemic could lead to a global recession, with aggregate demand falling in China, in the first quarter of 2020, by around -32% and in the euro area and the United States, in the second quarter, by -24 % and -13% respectively. The dramatic reductions in income growth in the first part of this year go far beyond any other disruptive phenomenon that has occurred since the Second World War. Despite this, the German banking institution continues to believe in a "V" recovery, based on the signs of a return to normal economic activity that

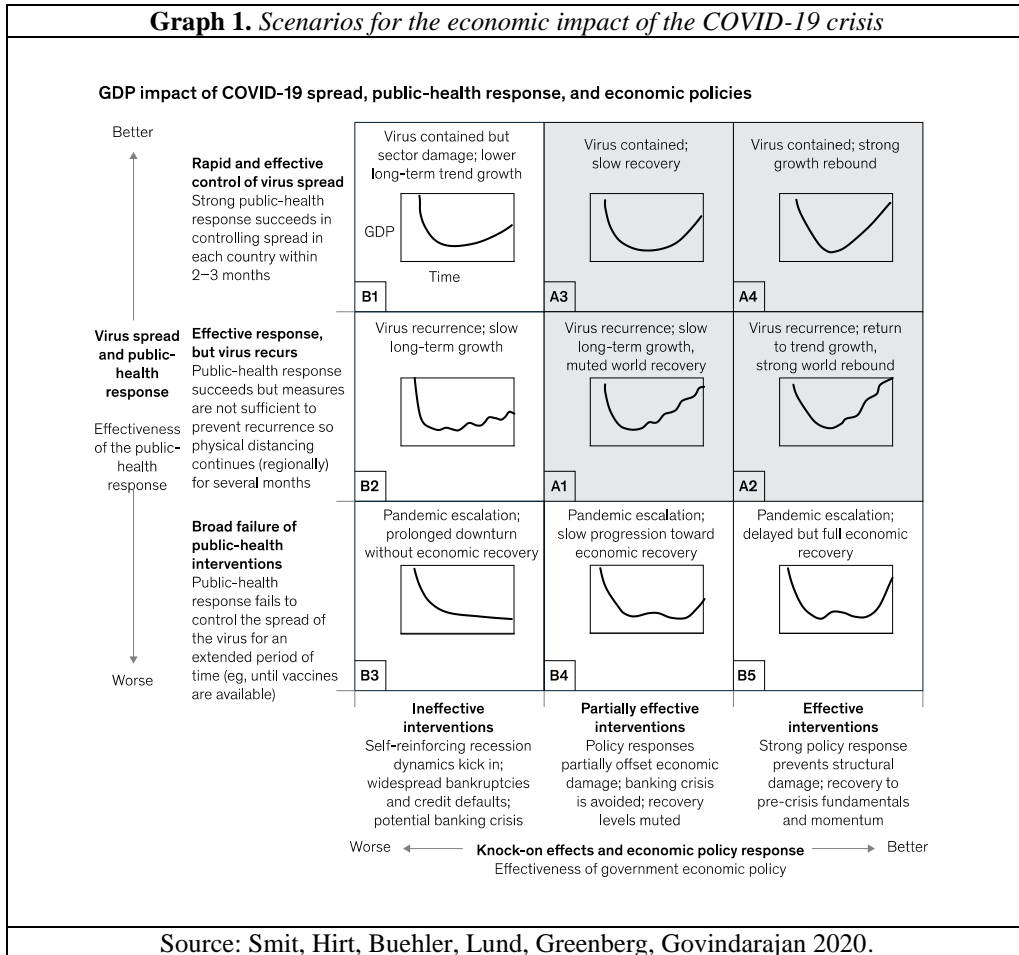
In another contribution, Sven Smit, Martin Hirt, Kevin Buehler, Susan Lund, Ezra Greenberg and Arvind Govindarajan of McKinsey & Company, who highlight the «fear about the severe economic downturn that may result from a prolonged battle with the novel coronavirus» (Smit, Hirt,

Buehler, Lund, Greenberg, Govindarajan 2020, 2), reject the terrible choice feared by an editorial in the Wall Street Journal, according to which we could be called upon to choose between a long restriction on the means of subsistence and the sacrifice of thousands of people, if not millions, due to the uncontrolled propagation of the virus. Therefore, the authors propose identifying adequate policy solutions, which contribute to stopping the pandemic and reducing the times of recovery of the economy, and classifying them as:

- “ineffective”, when the dynamics of the recession strengthen and cause large-scale bankruptcies, credit defaults, and banking crises;
- “partially effective”, when political responses are able to compensate for the damage to a certain extent, but the closure of companies and high unemployment make recovery more difficult;
- “very effective”, when political actions prevent structural failures and a strong rebound expeditiously bring the economy back to pre-crisis levels.

By combining these three degrees of assessment of the effectiveness of economic policy with the three archetypes concerning the extent and duration of the pandemic – the control of expansion of the virus within two to three months and the gradual removal of blocking measures; an improvement of the situation, with the permanence, however, of the physical distancing of people; virus development over a long period of time – nine scenarios have been identified as being suitable for the next year or more (Graph 1). According to the more optimistic view (boxes A1-A4), catastrophic consequences on a global level could be avoided, with recoveries in the shape of a “V” or “U”. On the other hand, based on the most negative projections (boxes B1-B5), structural damage to the world economy would occur, with trends very similar to the form of “L” or “W”. Furthermore, the authors of the analysis hypothesize, in a generalization of the conditions that have occurred in China, a 40-50% drop in discretionary consumer spending, which would result in a decrease, historically almost unimaginable, of about 10% of GDP, even without considering the other indirect effects (Ibidem, 4). In conditions of extreme severity of the crisis, an even heavier reduction in GDP could be recorded, with a possibility of reverting to pre-virus values only after more than two years (Ibidem, 8). In any case, McKinsey, working later together with Oxford Economics, has developed more in-depth and disaggregated macroeconomic scenarios at the level of each country.

**Graph 1. Scenarios for the economic impact of the COVID-19 crisis**



In research by Ludovic Subran, Ana Boata and Georges Dib of Euler Hermes - Allianz Research, the COVID-19 pandemic is expected to result in global trade losses of approximately \$ 320 billion per quarter of business blocking, an amount equivalent to the annual impact of the trade war between the United States and China (Subran, Boata, Dib, 2020, 1). Overall, losses for exports are expected to amount to \$ 161 billion, for tourism to \$ 125 billion and for transportation services to \$ 33 billion.

In a report by Euler Hermes - Allianz Research, it is highlighted that real GDP at a global level could fall – in an initial “U”-shaped framework, which considers the possibility of a gradual return to normal by June and a reactivation of economic activities in the second half of the year – between -7% and -10% for each month of confinement (VV.AA. 2020 a, 8). Under these conditions, a severe recession would occur in 2020 and an effective recovery only in 2021. The calculation regarding the elasticity of growth in relation to the period of physical distancing in the Eurozone countries, the

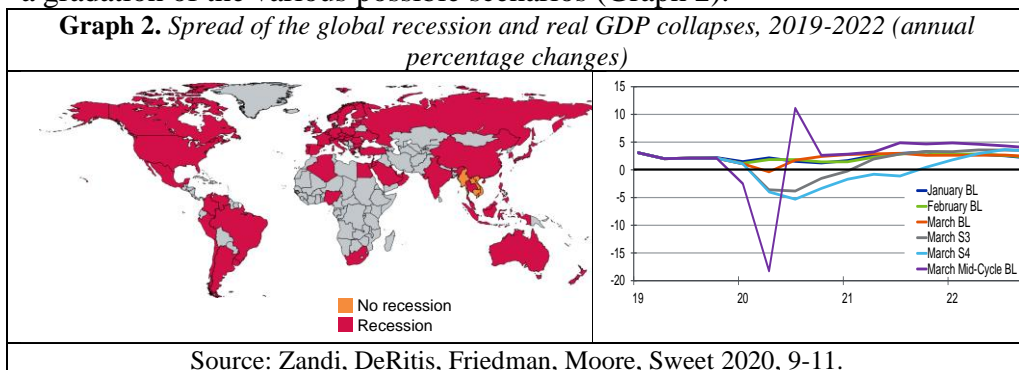


United Kingdom and the United States indicates the particular vulnerability of Italy, but also the serious risks facing Germany and the limited a capacity for recovery of the United Kingdom.

An alternative scenario of a protracted health crisis with a possible return of the infection (lasting 12-18 months) – which cannot be excluded – would take the “L” shape and would entail monetization of debt, systemic problems of equalities, credit and liquidity, as well as massive intervention by the State, interrupting the functioning of the market for a long time and preventing the engine of growth from restarting. In this way, the structural weaknesses of the world economy would reappear, as in 2008-2009, if not worse (Ibidem, 9). Of course, the results would change if the confinement measures were to work and the crisis were overcome more quickly.

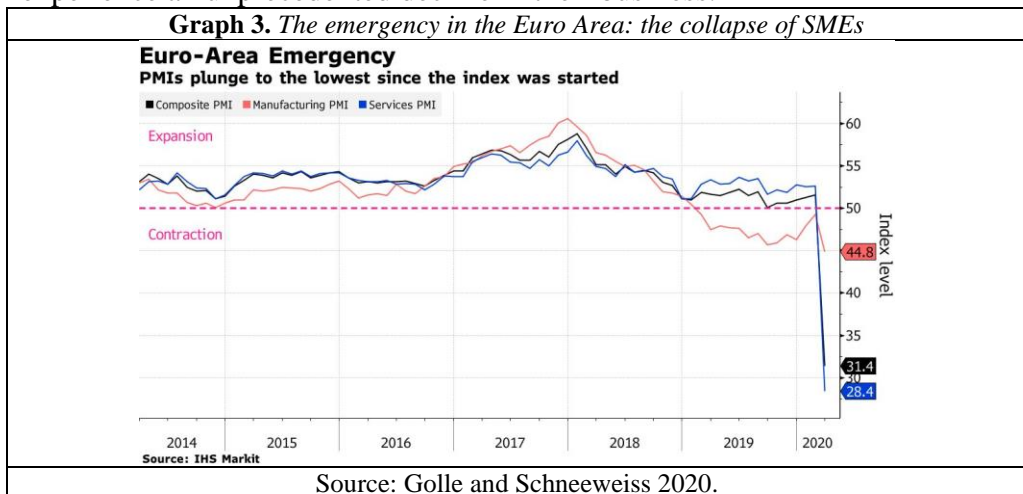
In another analysis by the same group, the dynamics of insolvencies during the first twenty years of the new millennium are reconstructed, showing that in 2020, given their reactivity to the economic cycle, they could show an increase of 14%. This negative outcome would affect, in addition to the Asian countries, especially Western Europe and would reopen a wound in North America dating back to the years 2007-2009. According to Nouriel Roubini – who knows about economic turmoil well enough to be nicknamed “Dr. Doom” – the emergency that arose with the new coronavirus represents «the worst crisis in history. Worse than the financial storm of 2008, and perhaps even worse than the Great Depression of 1929” and suggests “a recession both in the US and in Italy and Europe for the first 3 quarters, then a slow recovery. In the meantime, the failed companies and the long-term profound consequences will be reckoned with. The main feature of this crisis is speed» (Occorsio 2020). Based on this considerably pessimistic assessment, economic indicators could take the most dangerous form, the “I” shape. Continuum Economics, which acquired Roubini Global Economics in 2016, anticipated, in an outlook by Grant Hixon, the drop in global growth to 1%, with three European countries exposed to the greatest contractions in this scenario: Italy, Spain and France (Hixon 2020, 3). The eurozone would experience -1.6% growth reduction in 2020, but is expected to improve by 1.8% in 2021. Italy, for its part, would go from initially following a similar trend in the GDP of -1.7%, to a drop of up to -3.7%. Furthermore, the sharp decrease in tax revenues, only partially temporary, the sharp worsening of nominal GDP and the necessary interventions to support the economy would cause a significant increase in Italian public debt, which, according to Giacomo Pallaro, could stand above the 145% of the GDP, at levels reached only in the wake of the First World War, or, in the case of an even more demanding prospect, reaching even over 165% of GDP, with a negative result never achieved before in the course of history of united Italy (Pallaro 2020, 1).

According to an assessment carried out by Moody's Analytics, in a study by Mark Zandi, COVID-19 produced a "worldwide economic tsunami", pushing the global economy into a serious recession (Zandi 2020, 2). The contagion, indeed, caused the closure of significant parts, first of all, of the Asian economies and then of the European and American ones. The economic damage caused by the pandemic will ultimately depend on the trajectory of the virus and the response of governments to its impact. In any case, the Chinese experience is already revealing the current economic instability, even if the recession should not be of the same seriousness as the recent financial crisis, nor as terrible as the Great Depression of the 1930s (Ibidem, 5). Zandi puts forward the hypothesis that the growth of global GDP in real terms, estimated in January, before the explosion of coronavirus, at 2.6%, in 2020, could undergo a contraction by -0.4% (Ibidem, 3). The European economy, already fragile before the virus attack, would be particularly affected, with a decrease in real GDP in the euro area of almost -3% in 2020, which reflects a revision of previous more optimistic forecast (Ibidem). Mark Zandi, Cris DeRitis, Edward Friedman, Damien Moore and Ryan Sweet, in a subsequent analysis, presented a picture of the recession, which has spread like wildfire across almost the entire planet, and a representation of the trend of the real GDP on a four-year basis, according to a gradation of the various possible scenarios (Graph 2).



From research by Morgan Stanley's Chetan Ahya, the drop in demand and the interruption of supply chains is expected to trigger a global economic recession in 2020, without, however, going into a phase of depression and, therefore, maintaining a trend of a more or less accentuated "V", depending on the different scenarios considered. Based on this estimate, the economy of the euro area is expected to contract by -5% this year, to then rise again by 5.5% in 2021. Furthermore, according to Sven Jari Stehn of Goldman Sachs, who has significantly reduced his assessments on the trend of Europe after the pandemic spread of the coronavirus, global economic activity is expected to suffer a sharp decline in the first half of 2020. The

interruption of growth should be caused mainly by three concomitant circumstances: a thud of domestic demand, a blockage of supply chains, a fall in foreign demand. The effects of the pandemic are spilling over into various sectors – with a prevalence in the transport, tourism and commerce, industry, and entertainment sectors – and are hitting Spain, Italy and Germany the most. Bloomberg’s Vince Golle and Zoe Schneeweiss highlighted the critical situation of the European economy, noting that, after years of severe restrictions for businesses and families, the new emergency relates to small and medium-sized enterprises (Graph 3), which they may experience an unprecedented decline in their business.



The European House - Ambrosetti, for its part, performed a simulation of the impacts of the virus on the health and on the economy, showing how the current volatility on the markets is even higher than that of the peak of the 2008 financial crisis.

In the documentation of a webinar also promoted by Ambrosetti, an estimate regarding the economic consequences of the pandemic in progress was presented, which should lead to the reduction of Italy’s GDP to a level between -2.5% and -3.5 % in 2020 – other forecasts see it drop to -6% or even more (Centro Studi Confindustria 2020, 8; Prometeia 2020) –, in addition to intervening on the integration of global production chains and causing serious repercussions on European manufacturing.

Some analyses on the impact of the virus in Italy, such as those of Confindustria, are less optimistic – if we can say so – than the previous ones and, although considering the possibility of a limited duration of the acute phase of the health emergency (until May), they amplify its effects on an already weak economy like Italy’s, with a collapse higher than in 2009.

According to a note by the International Labour Organization, COVID-19 will have serious repercussions on the labor market in three fundamental dimensions, beyond that of workers' health: the quantity of jobs, the quality of work, and the vulnerability of some social groups most exposed to the negative results of this market. Initial estimates by the UN agency, which since 1919 has brought together representatives of governments, entrepreneurs and workers from 187 countries, indicate an increase in global unemployment between 5.3 and 24.7 million, based on the degree of harshness (low, medium or high) of the various possible scenarios, compared to the overall figure for 2019, amounting to 188 million unemployed. Although these assessments show a high level of uncertainty, in any case, there is a substantial growth in world unemployment, which could exceed that occurred during the last financial crisis, which was 22 million people. Furthermore, also in 2020, the decline in jobs should also lead to a substantial reduction in workers' incomes, which would range between 860 and 3,440 billion dollars, and a significant increase in "working poverty"<sup>2</sup>, which would affect between 8.8 and 35 million more people (ILO 2020 a, 5). As Guy Rider, General Manager of the International Labor Organization (ILO), said: «The human dimensions of the COVID-19 pandemic reach far beyond the critical health response. All aspects of our future will be affected – economic, social and developmental. Our response must be urgent, coordinated and on a global scale, and should immediately deliver help to those most in need. From workplaces, to enterprises, to national and global economies, getting this right is predicated on social dialogue between governments and those on the front line – the employers and workers. So that the 2020s don't become a re-run of the 1930s» (ILO 2020 b).

The Economist Intelligence Unit, after the advent of the new coronavirus epidemic, has revised its growth forecasts for all countries in the world, with an overall result painting a bleak picture. Indeed, in 2020, all the members of the G20, except for three (India, Indonesia and China), will face a recession and the global economy could contract by -4.2%. Italy, France, United Kingdom and Germany – without considering Argentina and Mexico – are expected to suffer the greatest damage, with a growth trajectory of -10.8%, -8.8%, -8.7%, and -6.1% respectively; while the eurozone as a whole is expected to experience a -8% downturn for the whole year. According to Agathe Demarais, EIU Director of Global Forecasting: «The global economic picture is looking bleak, with recessions in almost every developed economy across the world. We assume that there will be a recovery in the second half of the year, but downside risks to this baseline scenario are

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<sup>2</sup> "Working poverty", according to the Eurostat definition, is the condition of someone who has a job (self-employed or dependent), but lives below the "risk of poverty" threshold, receiving an income of less than 60% of the national average.

extremely high, as the emergence of second, or third waves of the epidemic would sink growth further. At this stage, it is also hard to see an exit strategy from the lockdowns, which means that uncertainty will remain high. Finally, the combination of lower fiscal revenues, and higher public spending, will put many countries on the brink of a debt crisis» (The Economist Intelligence Unit 2020).

The Organisation for Economic Co-operation and Development (OECD) carried out an analysis on the initial impact of the COVID-19 containment measures on economic activity. The direct effect could be a drop in the level of production between one fifth and a quarter of the total in many economies, with a decrease in consumer spending of about a third. If this picture were to get closer to the reality, it would far outweigh the ruinous consequences of the latest global financial crisis (OECD 2020 a, 1). In any case: «These are only the initial impacts on the level of output. The implications for annual GDP growth will depend on many factors, including the magnitude and duration of national shutdowns, the extent of reduced demand for goods and services in other parts of the economy, and the speed at which significant fiscal and monetary policy support takes effect» (Ibidem). The magnitude of the estimated drop in production equates to a reduction in GDP growth of up to two percentage points per month of rigorous confinement measures. If the closure continued for three months, for example, without compensation elements, the annual GDP trend could be between four and six percentage points lower than in a normal condition.

Again, in another outlook, the OECD underlined the change in perspective given by the pandemic, which abruptly interrupted the beginning of a phase of stabilization of the economy, through an albeit weak boost to growth. The forecasts of the OECD concern a very uncertain future, already conditioned by a marked deterioration in global financial conditions and by a fall in world production. In the current context, an overall slowdown in GDP growth is estimated from 2.9% in 2019 to 2.4% in 2020, and then to return to around 3.25% in 2021, in view of a gradual recovery of the production system (OECD 2020 b, 6). OECD Secretary General Ángel Gurría – faced with an exogenous crisis of particular virulence, such as that caused by COVID-19, which, unlike others, is completely symmetrical, even if out of phase in the times of its diffusion on the planet – argued the need for «something that has the ambition of a Marshall Plan and the vision of the New Deal» (Fubini 2020). In addition, he promoted the idea of eurobonds, stating that: «A new instrument of this kind, jointly implemented between all the euro countries and featuring a shared responsibility, designed in the most suitable way for everyone, would have all the strength of the European economy behind it» (Ibidem).

The analysis carried out by Gurría is of particular interest and a larger passage of his thought, which clearly focuses on today's situation, which is very similar to a war, and on the difficulty of making predictions for the future, it is worth presenting: «The pandemic brings with it the third and greatest economic, financial and social shock of the 21<sup>st</sup> Century, after 9/11 and the Global Financial Crisis of 2008. This shock brings a double whammy: a halt in production in affected countries, hitting supply chains across the world, and a steep drop in consumption together with a collapse in confidence. Stringent measures being applied, albeit essential to contain the virus, are thrusting our economies into an unprecedented 'deep freeze' state, from which emergence will not be straightforward or automatic. The most urgent priority is to minimise the loss of life and health. But the pandemic has also set in motion a major economic crisis that will burden our societies for years to come. In many places ambitious initial responses are underway, and this is commendable. But only a combined, coordinated international effort will meet the challenge. The sheer magnitude of the current shock introduces an unprecedented complexity to economic forecasting» (Gurría 2020, 1)<sup>3</sup>.

Returning to the point from which this review of the different scenarios that may arise from the global progression of the coronavirus started, it is now appropriate to refer again to the most recent studies promoted by Richard Baldwin and Beatrice Weder di Mauro. According to the authors, today's pandemic is very different, economically speaking, from those having preceded it, as it is decidedly faster and more extensive, causing a cumulative interruption of most activities, and it has affected the world's largest economies, some of which are at the top of the global value chains, until now sparing almost none and causing vast contagions in the supply chain of almost all nations<sup>4</sup>. Furthermore, it is likely that the manufacturing sector will suffer a triple trauma: the irregularity (or stoppage) of supplies

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<sup>3</sup> The document continues (1), stressing that: «Compounding a global health crisis with a major economic and financial crisis will put large strains on our societies. Even after the worst of the health crisis has passed, people will be confronted with the jobs crisis that will ensue. Well before the outbreak, the global economy already exhibited a number of underlying vulnerabilities, which now risk worsening the downturn that COVID-19 has delivered. These include the high level of corporate debt and trade tensions between major economies. Another important vulnerability are the gaps in income, wealth and job stability in many countries, which threaten a large part of our populations. More than one third of OECD households are financially insecure, meaning they would fall into poverty if they had to forgo three months of their income. As for the trade restrictions that have proliferated in the last few years, these may not only affect badly-needed medical supplies in some settings but also generate supply-chain disruptions in food or other essential goods and services. More broadly, they increase the risk of a more severe outbreak, as well as of a deeper and longer-lasting recession».

<sup>4</sup> See VV.AA., *Economics in the Time of COVID-19*, 2.

will hinder production; the deterioration of the supply chain will amplify the collapse of the available goods in the breakdown between countries more or less severely affected by the virus; the recession, the delays in consumer purchases and in business investments, will determine the decrease or the collapse of demand<sup>5</sup>. Of course, the service sector will also be seriously affected, but, according to the two aforementioned scholars, it is the production sectors that could suffer the greatest damage.

In a new book, released on March 18, 2020, again by Baldwin and Weder di Mauro, the two economists of the Center for Economic Policy Research, less than two weeks after the previous publication, have reviewed the situation of the health crisis and its effects on the economy, noting that, in such a short time, what was considered a «Chinese problem» and, then, an «Italian problem» has become «everybody problem» (Baldwin and Weder di Mauro 2020 b, 1). This rapid evolution has resulted from both the extremely contagious nature of the virus and the unavoidable implications of its bursting outbreak during the acceleration of the epidemic (Ibidem). The ultimate goal of the work, in addition to the contribution to scientific deepening as such, is to persuade governments to anticipate the strategies being necessary to face the crisis, trying to connect immediate choices and temporary solutions to basic policies within a systemic vision. The extent of the economic damage that they attempt to assess, however, is still very uncertain, but will increase, especially if the pandemic will not be contained or eradicated, or if – as happened with the Spanish flu, which affected the most part of the countries in three waves, from 1918 to 1920 – it will occur again with subsequent resumptions of the infection, as feared in a simulation carried out by a team of epidemiologists from Imperial College London, led by Neil Ferguson (Ferguson, Laydon, Nedjati-Gilani et alii 2020). In any case, as Pierre-Olivier Gourinchas effectively describes in his contribution: «A modern economy is a complex web of interconnected parties: employees, firms, suppliers, consumers, banks and financial intermediaries... Everyone is someone else's employee, customer, lender, etc. A sudden stop [...] can easily trigger a cascading chain of events, fueled by individually rational, but collectively catastrophic, decisions» (Gourinchas 2020, 33). Indeed, the course of the economy – and the associated flow of income – can be interrupted by a sudden impediment at various points (Graph 4), due to the unexpected propagation of an exogenous factor such as the virus, and by the choices aimed at containing it. This condition can easily trigger a series of cascading barriers, fueled by rational decisions on an individual level, but overall disastrous, which:

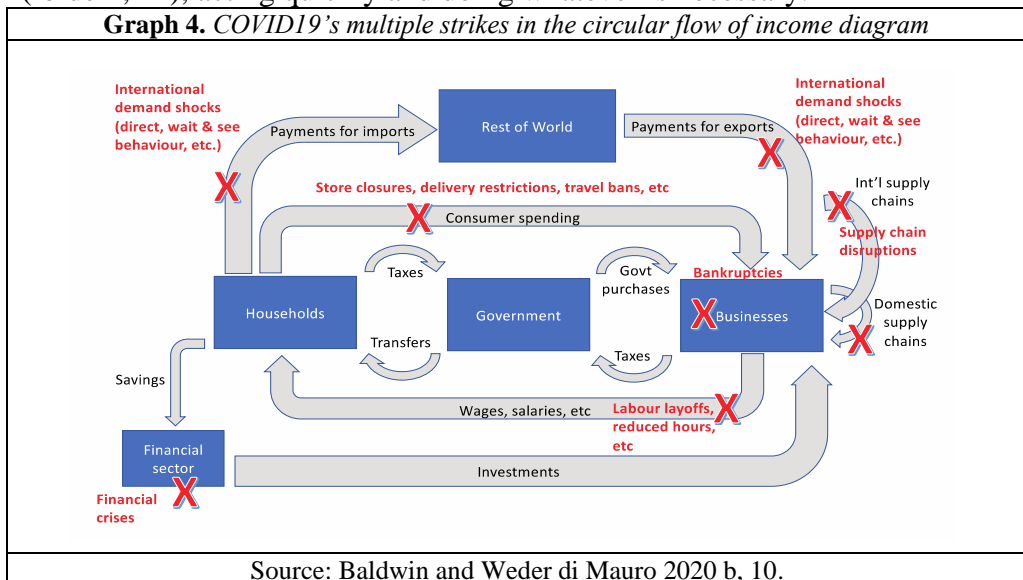
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<sup>5</sup> See *Ibid*, 4.

- cause consumer spending to fall, business closings, restrictions on deliveries and limitations on travel;
- shake domestic and international demand;
- block payments for both imports and exports to and from the rest of the world;
- break supply chains on the national and international side;
- cause slowdowns in production processes, crises and bankruptcies of companies, especially in manufacturing;
- involve layoffs, payroll subsidies, drastic decreases in working hours;
- lead to financial crises and investment meltdown, etc. (Baldwin and Weder di Mauro 2020, 11).

The graph is nothing more than a transposition of the circular diagram of the flow of money, according to a simplified scheme, itself useful to describe the functioning of an economic system on an aggregate scale. In this way, it is possible to reveal the phenomena in progress, an illustration of the widening of the borders of the recession that has now taken hold, after China, also in Europe and the United States, and it is also possible to provide a framework for activating policies that «flatten the recession curve» (Ibidem, 14), acting quickly and doing whatever is necessary.

**Graph 4.** COVID19's multiple strikes in the circular flow of income diagram



Source: Baldwin and Weder di Mauro 2020 b, 10.

In concluding this review of the forecasts made by some of the most authoritative and knowledgeable analysis centers, institutions and experts at an international level, it can be observed that most of the elaborations provide a short-term perspective, with continuous updating, although



reporting the longer lasting risks. Of course, given the proximity of the pandemic explosion, the uncertainty about its evolution and the consistency of its economic repercussions, it can only be so. However, from the set of assessments, which present sometimes conflicting data and bring out different aspects of the current crisis, one gets a very worrying picture and the perception of an epochal turning point, in the medium to long term, which is rapidly bringing the planet in a completely new dimension. Therefore, together with the deepening of the investigation and the construction of a wide-ranging interpretation, it is necessary to begin to implement remedies that have a dual nature:

- immediate measures, as most governments are doing, to face a dramatic emergency and avoid the collapse of the economy;
- systemic measures, which are directly connected to the initial actions, in line with the need to grasp the structural significance of the recession and to deploy all the forces necessary for a fundamental innovation.

Like all crises, this one includes, at the same time, the ruins created by a very vast destruction and the opportunities deriving from the construction of a new economic and life model. And the latter is good, if we can grasp it.

### 3. *A new paradigm for the future*

The outbreak of the coronavirus has definitively clarified that this era is characterized by a systemic uncertainty, itself the result of discarding old archetypes, such as the Fordist one, in the absence of a new general view of the world and the economy, and also the product of new unforeseen challenges and a rapid transmission of events, starting with contagious ones, from one part of the planet to another. Does the prevalence of aspects of concern and insecurity, the objective necessity of distancing and closing within confined spaces represent the antechamber of the end of globalization? The reality of the facts indicates a completely different path, because it is thanks to the interconnection between world research centers, the exchange of knowledge allowed by telematic networks and the impressive capacity for progress provided by new technologies, that it is possible to fight resolutely and – hopefully soon – to defeat COVID-19. It is by virtue of supranational and global choices made that the enormous scale of the economic effects of the pandemic can be addressed, a symmetrical crisis that affects everyone, even the most reluctant to acknowledge it, and which requires a coordinated and ready response, as in wartime. It is concerning the processes of digitization, automation and robotic innovation that it is possible not to stop the most advanced parts of the production system, as well as of economy and society, favoring the enhancement of

human skills and creativity, of expressive capabilities and the ability to manage and control networks, platforms and machines.

Much more simply, a historical component of globalization has been exhausted, i.e. that of the conviction of the magnificent and progressive fortunes of financial expansion and the markets as an end in itself, that of the predominance of the Washington Consensus and of a *homo oeconomicus* closeted in the interstices of its own exclusive utility, unable to connect one's knowledge and rationality to a larger collective design or to the goal of a new era of prosperity and progress. Instead, the part of globalization aimed at promoting new opportunities for development, bridging both old and new gaps, and at creating an unprecedented convergence between private and public interests, between individuals and social groups, between businesses, the market and the State, has been nourished – and must be considered as the founding element of a new paradigm. This is the opposite of a conservative metamorphosis, which draws the “change” through the tracing of consolidated beliefs, avoiding facing the complexity of the present and engaging in the arduous challenge for the construction of a new world. A long-term prospect, albeit far from that imaginative of the acquisition of divine powers of creation and destruction by a *homo deus* (Harari 2016), was effectively described by Jacques Attali a few years ago, with just a brief reflection on pandemic. Indeed, history teaches that humanity does not evolve significantly until it is truly afraid and sets up defense mechanisms, which, once the emergency phase of a crisis is over, are modified to make them compatible with individual freedoms and include them in recovery policies. Pandemic, therefore, more than any humanitarian or ecological discourse, can provoke “the awareness of the need for altruism, at least interested”, which allows a decisive step forward in the processes of coordination and global governance or, at least, the realization of an effective European policy: «For that, we will have to put in place [...] global stockpiling and therefore global taxation. We will then come, much faster than economic reason alone would have allowed, to lay the foundations of a factual world government. [...] In the meantime, we could at least hope for the implementation of a real European policy on the subject» (Attali 2009).

The uncertainty can be considered as a creative force and a drive for innovation in the economic model, especially in an era of crisis and transition. The “risk society” (Beck 1986), therefore, is not the place where modernization creates insecurity and bewilderment, but it is the exact opposite, given that it is the permanence in an indefinite limbo and the Pavlovian attempt to repeat the past giving a feeling of irresoluteness, which prevents change and brings a ruinous outcome. The courage of transformation arises from the assumption of responsibility and from the union of all the forces involved in building a more advanced scenario on the

basis of a new paradigm, which can be anticipated starting from the ability to predict disastrous events before they occur, or, more probably, from the cleverness to prepare global responses to calamitous problems. As Ulrich Beck has noted, the main ambition here must be to: «[...] place in the field of vision *a future that is already emerging* and contrast it with the *still* predominant past. Wanting to make a historical comparison, [...] the attitude is similar to that of an observer of the scene of the early 19th century, who, behind the facade of the feudal agrarian era now running out, sees the first outlines of the still unknown industrial era emerge everywhere» (Beck 2005, 13). This perspective can be pursued, even in current conditions, only if the awareness of a far-sighted intervention by the governments of the world will prevail, oriented towards new frontiers, first of all, by the needs of cooperation and not of domination.

An article published in the briefing of the *The Economist* therefore described the new context of the economic choices of governments: «A character in a novel by Ernest Hemingway once described bankruptcy as an experience that occurs ‘two ways: gradually, then suddenly’. The economic response to the covid-19 pandemic has followed this pattern. For weeks policymakers dithered, even as forecasts for the likely economic damage worsened. But in the space of just a few days the rich world has shifted decisively. Many governments are now on a war footing, promising massive state intervention and control over economic activity. The new phrase on politicians’ lips is ‘whatever it takes’ – a line borrowed from Mario Draghi [...]. Politicians are now proposing something of a different magnitude: sweeping, structural changes to how their economies work» *The Economist* (2020). Indeed, after an initial underestimation of the crisis, the decision to restart from large structural changes in the way the economies work is on the agenda. In this context, Europe is called upon to play a fundamental role: the pandemic, despite the divisions and closures still remaining in place, can paradoxically put the integration process back into play and make that leap of continuity necessary for the deployment of new economic strategies.

Adam J. Tooze, the author of a ponderous study on the latest global financial crisis (Tooze 2018), in an article written together with Moritz Schularick warned the governments of the Old Continent, urging them not to repeat the same mistakes made just over a decade ago, when, at the height of the turbulence, their timid and delayed responses cost the economy dearly. The two scholars then supported the need for a common fiscal – and therefore not only monetary – policy in order to address the consequences of the new coronavirus, through two possible options: the joint issuance of long-term one-off bonds or the use of the European Stability Mechanism (ESM), with a significant loosening of its conditions. Tooze and Schularick, in this regard, recalled that there was also a precedent for eurobonds, since

the European Community, during the 1970s, issued bonds to counteract the economic shock of the oil crisis: «This is the right path. This is a time for European solidarity. If the continent does not stand together now, the European project might never recover» (Tooze, A.J., Schularick, M. 2020).

The intervention of greatest resonance, in the last period, was that of Mario Draghi who, in an article in the Financial Times, described the current pandemic as a human tragedy of potentially biblical proportions, which requires strong and immediate action to avoid turning the recession into a prolonged depression, with irreversible damage. The former President of the European Central Bank boldly said that: –It is already clear that the answer must involve a significant increase in public debt. The loss of income incurred by the private sector – and any debt raised to fill the gap – must eventually be absorbed, wholly or in part, on to government balance sheets. Much higher public debt levels will become a permanent feature of our economies and will be accompanied by private debt cancellation» (Draghi 2020). This clear stance returns to the central role of the State in dealing with national emergencies and using its budgetary resources to protect citizens and businesses from crises, for which the private sector is not responsible. Indeed, as Draghi points out, the wars were also financed with the increase in public debt: in particular, during the First World War, Italy and Germany paid between 6% and 15% of the war expenses in real terms by taxes. The alternative to an intervention of this kind is represented by a permanent destruction of the production capacity and, therefore, of the tax base, which would be much more harmful to the economy. Therefore, by trusting the European financial structure and public sector, which are well equipped, it is possible to face today's extraordinary trauma as a common challenge. In conclusion, a change in mentality when facing unforeseen circumstances and a sizable shock such as the coronavirus appears essential, given the fact that: «The shock we are facing is not cyclical. The loss of income is not the fault of any of those who suffer from it. The cost of hesitation may be irreversible. The memory of the sufferings of Europeans in the 1920s is enough of a cautionary tale» (Ibidem).

For his part, Paul Krugman stressed the risks of «an incredible economic catastrophe» (Krugman 2020 a), which are not comparable to the effects of a conventional recession, since the greater part of the loss in jobs is the result of social distancing enacted in order to limit the spread of COVID-19, as a kind of induced coma – considering health –, during the which some of the brain functions are temporarily suspended in order to give the patient a chance to heal. However, he himself notes, in an essay contained in the last book edited by Baldwin and Weder di Mauro, that the crisis is increasingly taking on a structural character and it is therefore necessary to propose «a long-term policy» (Krugman 2020 b, 213), founded on public investments in

both physical and human capital, such as those in infrastructure, research and development, health and child nutrition. This strategy must take into account the fact that the United States has been stuck in a “liquidity trap” for eight of the past twelve years, while Europe and Japan are still in this condition. Therefore, the answer lies, immediately, in a combination of unconventional monetary policy and fiscal stimuli that take the form of public investments: «But such investment can’t be ramped up rapidly. So my proposal is that we undertake large, deficit-financed public investment on a continuing basis» (Krugman 2020 b, 215). The main – and obvious – objection to such a choice is linked to the increase in public debt, which has so far been one of the main concerns of economists and politicians. However, according to Krugman, in an era of low interest rates, these permanent investment stimuli are entirely plausible, provided that long-term fiscal policy stabilizes the debt-to-GDP ratio (Ibidem, 2015-216)<sup>6</sup>. Finally, he concludes, returning to the starting point of his reflection, that: «[...] there’s a very good case for putting a sustained, productive program of stimulus in place as soon as possible, instead of scrambling to come up with short-term measures every time bad things happen. Because everything we see now says that bad times will be a very frequent occurrence» (Ibidem, 2018).

An important editorial in the Financial Times supports the need for radical reforms to forge a society capable of operating in the interest of all, in the face of the evident manifestation of the fragility of the social contract. Indeed, the coronavirus and the economic closures necessary to combat it, revealing existing inequalities and creating new ones, have injected a sense of solidarity and animated common goals in societies, even in the most dichotomous ones. «Beyond defeating the disease, the great test all countries will soon face is whether current feelings of common purpose will shape society after the crisis. As western leaders learnt in the Great Depression, and after the second world war, to demand collective sacrifice you must offer a social contract that benefits everyone» (Financial Times (2020)). According to the editorial board of the newspaper, the current crisis is laying bare the inadequacy of advanced societies to express a collective ideal and the weakness of the economies of many countries, risking benefiting some at the expense of others. If sacrifices are inevitable, each community must be able to provide the right reward to those who bear the heaviest burden of national efforts. Therefore, by reversing the political direction prevailing in the last forty years, effective reforms that make the State take a more active role in the economy, see public services as investments rather than as liabilities, and make markets, starting from the labor market, less exposed, are

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<sup>6</sup> Krugman argues that: «Because interest rates are below the growth rate, our hypothetical economy can in fact stabilise the debt ratio while running persistent primary deficits (deficits not including interest payments)».

indispensable. The analogy with the war economy, proposed in an exemplary conclusion of the editorial, is entirely appropriate: «The leaders who won the war did not wait for victory to plan for what would follow. Franklin D. Roosevelt and Winston Churchill issued the Atlantic Charter, setting the course for the United Nations, in 1941. The UK published the Beveridge Report, its commitment to a universal welfare state, in 1942. In 1944, the Bretton Woods conference forged the postwar financial architecture. That same kind of foresight is needed today. Beyond the public health war, true leaders will mobilise now to win the peace» (Ibidem).

Indeed, during this period, the effects of contagion, which is defined as a “negative externality” in the language of economists and which can cause a systemic crisis, have been compared to a war economy. However, is it correct to use this categorization? In many respects, yes, because the current situation is very similar to that described by Pasquale Saraceno, according to whom unpredictability dominates war economy, because in its progression factors of uncertainty, which prevent us from anticipating economic dynamics, increase. This phenomenon «does not take place along an arc that will bring us back, albeit through a crisis, to the starting point, but according to a guideline that increasingly moves us away from that point, without the possibility of returning or approaching the situations of the past and with a faster pace than we would have had if the war had not intervened» (Saraceno 1974, 65). The increase in public expenditure and its repercussions on the State finances are, in any case, huge, but they require both a prudent distribution of resources and the exercise of a control of budgetary policies, which are able to avoid an enormous cost on the citizens during the phase of acute turbulence.

Another element of analogy is represented by the sectors that take advantage of hostilities, to the detriment of those who suffer heavy blows, achieving a redistribution of wealth. For example, in the current circumstances the essential industries are enduring. Such industries include food, pharmaceutical, chemical, electronic and electromedical, IT, online and communication services, all sectors making use of smart working or that have an advanced level of automation and robotization. Moreover, during a war, the productive apparatus converts to war needs and can continue its activity. Furthermore, while in the conflict only military recruits are taken from civilian life, in this battle against the virus it is a large part of the population that has to stop work. Finally, the financial consequences that are already felt in the markets, faced with the blockade of a large part of the economic system, evoke the danger of a serious liquidity crisis, which, according to The Wall Street Journal, could turn into panic and pour on the system business debts and bankruptcies; therefore one cannot remain without an economic guide for a long time (The Wall Street Journal 2020).

Both the Federal Reserve and the European Central Bank are taking extraordinary measures. The European Union, after the suspension of the Stability Pact, has started some early interventions in favor of economic activities and in order to alleviate unemployment, but it can do much more and do it much more effectively with its Recovery Plan. National governments are adopting measures leading them to deal with companies, workers, markets and consumption again. Liquidity and guarantees were promptly introduced into the production circuit (Graph 18). The proposal for a “war loan” of thirty years, put forward by the past President of Italian Confindustria, moves in this direction, exactly as it did with the Marshall Plan. It is just the beginning, and this effort must be huge to address the immediate problems, starting by laying the foundations for structural interventions dedicated to innovation and investment. Indeed, the transition from the war economy model, based on planning and control, to that of reconstruction and recovery, based on the mixed market-oriented economy, requires a strong and far-sighted involvement by the State. The outcome of this period could be more tragic than a war or, in any case, very difficult, like a deep recession. Among the aspects of our life that will change, the pandemic will certainly not leave the structure of the economy unchanged. As Riccardo Bachi warned: «The war has always been a factor in the transformation of the economy: in the things of wealth it has not only been destroying, but also it has been stimulating and constructing. This influence has mainly taken place on the technique of productive process [...]» (Bachi 1918, 35). Therefore, national and international institutions, rather than lingering in an Old World view, must rediscover the courage of a new era, in which the crisis is to be stemmed in unison and one can build a perspective for the economy of peace of our future on a completely new basis.

The current economy, thus, is in a singular condition: every day that passes, exactly like with the human body, can be beneficial or aggravating. Time is the main critical factor. Therefore, structural measures must be linked to emergency therapy, with a program capable of addressing the exceptional scale of this exogenous crisis. It is not just a metaphor, which finally makes economics a social and human science, but an actual need. At the push that the first measures seek to contribute to demand, an unprecedented and massive support for supply must follow. During the reconstruction period, the much-invoked Plan Marshall was replaced by a structural intervention. In the presence of a pandemic, the “two stroke” strategy does no longer apply, we must start building the foundations for recovery immediately, we need «wheat and coal», «machines and macaroni» (Lepore 2013, 5-7 and 298). Therefore, a European plan to combat the crisis is needed. The joint request by the Italian and French governments to take the path, already shown in 1994 by Jacques Delors for the eurobonds,

towards creating actual resistance to the coronavirus and its economic impact, has advanced the terms of the greatest challenge since the world war. With the launch of the “Next Generation EU”, the result of that initial proposal and, at the end of the comparison, of a unanimous decision – although significant differences still persist between the 27 countries of the European Union – is a commitment towards a common and coordinated budgetary policy, aimed at tackling the crisis with appropriate tools and laying the foundations for a new growth model. Indeed, it is a matter of carrying out a creative and rigorous strategy – not for a mere law of retribution – that increases public spending in the immediate hiatus, taking on the needs of health and consumption, supporting incomes and businesses, and strengthening infrastructures and research, but which sets in motion, in a completely original manner, innovative public and private investments and productivity gains, with a longer-term perspective, intrinsically linked to the new models of the digital economy, the green deal and the bioeconomy. Only in this way it will be possible to determine, in each country, the conditions being useful to mitigate the burden of debt and to avoid the specter of default, operating at the same time in terms of real stability and promotion of development factors. Only in this way Europe will be able to resume its point of reference on a global level.

After all, a part of instability, as it always happens in times of crisis, constitutes an opportunity for innovation. COVID-19 is already providing impetus for the use of digital technologies, electronic commerce, robotics and smart working, the bioeconomy and the circular economy, favoring the countries and companies that will be able to manage the disaster recovery, i.e. exit from these global risks. It is certainly true that, as Galbraith wrote: «The descent is always more sudden than the increase; a balloon that has been punctured does not deflate in an orderly way» (Galbraith 2009, 19). However, the protean inclination of this new era to transform the economic structure, production and life can hold surprises. And then, following that same line of thought, one must not insist «on the mistake of the man who wrongly predicted Armageddon» (Ibidem, 25), trying to build a hope, based on man’s reason and courage to face even the most adverse events.

The historian Yuval Noah Harari certainly did not fall into this error. He considered these issues always having an eye towards the future. In an article published on the Financial Times, he noted that mankind is currently facing the greatest global crisis affecting an entire generation and that: «The decisions people and governments take in the next few weeks will probably shape the world for years to come» (Harari 2020). These decisions concern not only the relevant health systems, but also the economy, politics and culture. Therefore, we must consider the long-term consequences of our actions: the choice between alternatives requires not only the definition of



how to overcome the impending threats, but also the awareness of the kind of world in which we want to live, once the storm has passed. Indeed, historical processes are advancing rapidly and resolutions, which in normal times could take years, can be made within a few hours in the face of an emergency. Harari then assesses that in the given context: «Both the epidemic itself and the resulting economic crisis are global problems. They can be solved effectively only by global co-operation» (Ibidem). And that, just as it happens when countries nationalize key industries during a conflict, the “human war” against the virus may require you to “humanize” crucial production lines. Furthermore, a rich country, with few cases of contagion, should be available to send suitable equipment to fight the epidemic in a poorer country, having many cases of infection, as a form of mutual support. In conclusion, Harari highlights that: «Yet every crisis is also an opportunity. We must hope that the current epidemic will help humankind realise the acute danger posed by global disunity. Humanity needs to make a choice. Will we travel down the route of disunity, or will we adopt the path of global solidarity? If we choose disunity, this will not only prolong the crisis, but will probably result in even worse catastrophes in the future. If we choose global solidarity, it will be a victory not only against the coronavirus, but against all future epidemics and crises that might assail humankind in the 21st century» (Ibidem).

### ***Conclusion***

At the end of this wide path, a framework was outlined in order to understand the causes and examine the impact on the economy and society of a dramatic phenomenon, as it deploys itself in full, such as that of the COVID-19 pandemic first wave, which strongly feeds the basic features of risk and uncertainty, which are now extremely topical again. The time we are currently living in is among the most complex and difficult in contemporary history and it is no coincidence that it has been, on several occasions, compared to a war. However, the time has come to start thinking about peace, about the world that must be built with tenacity for the post-virus era and the results of the choices that are being made to win this battle against an invisible enemy. To this end, it may be useful to recall John Maynard Keynes’s thought, in one of his most vivid testimonies, concerning the economic consequences of the peace, when he recalled the importance of the salvation of Europe, closely connected with the possibility of affirming a common destiny and of a new *weltanschauung*: «There may, therefore, be ahead of us a long, silent process of semi-starvation, and of a gradual, steady lowering of the standards of life and comfort. The bankruptcy and decay of Europe, if we allow it to proceed, will affect every one in the long-run, but perhaps not in a way that is striking or immediate. This has one fortunate

side. We may still have time to reconsider our courses and to view the world with new eyes. For the immediate future events are taking charge, and the near destiny of Europe is no longer in the hands of any man. The events of the coming year will not be shaped by the deliberate acts of statesmen, but by the hidden currents, flowing continually beneath the surface of political history, of which no one can predict the outcome. In one way only can we influence these hidden currents, – by setting in motion those forces of instruction and imagination which change *opinion*. The assertion of truth, the unveiling of illusion, the dissipation of hate, the enlargement and instruction of men's hearts and minds, must be the means» (Keynes 1920, 277-278). The karst river of this transitional era began to emerge and make the rock that stands in its course an opportunity to collect the waters, enhance their flow and finally flow into a new bed, hopefully to the sea. Outside of metaphor, the crisis we are experiencing is, at the same time, dark and ponderous. It still hides many risks and serious pitfalls, but it can represent the epochal challenge for the advent of an unprecedented paradigm, for the strenuous construction of a more humane society, a more prosperous and righteous economy.

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