

Megan Greene:

Really quickly, a housekeeping note. The way that you can submit questions is through the Q and A button at the bottom of the Zoom screen, so you can hit that and type in your questions and I'll go ahead and sift through them and try to group them thematically so hopefully we can have a productive discussion over this next hour.

Megan Greene:

Let me go ahead and turn it over to Adam for his comments first.

Adam Tooze:

Thank you, Megan. Thank you, John for that introduction and setting us up so nicely. It's a real pleasure to be here. I hope everyone can hear okay, we've got [inaudible 00:03:55].

Adam Tooze:

As John says, it is difficult to remember anything like this in our experience previously and I think he's right, but in many respects this does dwarf the shock of 2008 that we might talk about the specifics of that. But one of the things that makes this so singular and I think truly unprecedented in history is the aspect of it that French President Macron alluded to in his now well-known interview in the Financial Times last week where he referred to the shock as an anthropological shock. Now, Macron is given to big words and the transcript of the interview is something I recommend everyone who has the time read. It's quite the long read. Very different mode of statesmanship from what we are familiar with on this side of the Atlantic. It's [inaudible 00:04:43]. But I think the real tough and important fact around which that idea of this is an anthropological shock is centered is this truly is as close to a universal and simultaneous experience. Deeply impactful, not like where were you during the World Cup when

does routinely. There is a kind of Orientalism is us imagining that the Chinese regime routinely has the power to confide it's ... nonsense, they've done anything like this before.

Adam Tooze:

No one attempted to stop as large a piece of any economy in its tracks as the Chinese were about to do.

Adam Tooze:

The sort of risk, which suddenly was revealed in Italy from late February to early March compounds the already evident sense that, as it were, the Chinese shock is very massive, is going to pull the ground out underneath the growth machine that we take for granted in east Asia. The Eurozone, the spread of the pandemic to the Eurozone points to that fragility ever since all the way down to the present day. The

00:13:30] gradual depreciation of their currencies but then extremely intensely in March. The headline instances of this were of course the commodity producers, the oil exporters notably, which include

corporate debt and they just looked at me like I had 40 heads. It was absolutely just not even on the table and now they are already doing it. So the Fed stepped in really quickly.

Megan Greene:

The fiscal response has been a lot slower, it's been huge to say, as a percentage of GDP, if you leverage it up with Fed money, it's the biggest response we've seen actually anywhere globally, but it has taken a while to get through. We've passed three rounds of physical stimulus measures. We have passed a fourth one and it should be passed later this week. But that being said, I think it's probably not big enough and for what it's worth, we've got really top down tools to get money to the pieces of the economy that desperately need it. It's not easy to do, and particularly when it comes to the small businesses, I think there's been a lot left to be desired. We've created this small business lending program that turns into grants if companies agree to keep people on their payroll so that's an incentive to not lay people off. But first of all, we've already run out of the money. We've talked it up, but all that money has been pledged as well.

Megan Greene:

Secondly, the average small business has about 27 days of cash buffer. We've actually already been doing this for 27 days. For a lot of these small businesses and for employees as well, it's just a bit too late. I do think the idea has been with our policy response to freeze the economy for two months, roughly, and then contain the virus and defrost the economy. The hope was that we would have a whole bunch of pent up demand, everyone would go out and spend and a year from now would have hardly remembered that this even exists. What we're finding increasingly is it's going to take a lot longer to go ahead and contain this virus and also freezing the economy might not work particularly if you have to do it for a lot longer than we thought.

Megan Greene:

In terms of how we get out of this, there are a few proposals certainly. One is that we just go ahead and reopen the economy. We've heard a lot about that, certainly from the President. CBS just put out a poll though, asking people, if we opened up the economy tomorrow, would you feel comfortable doing a bunch of things. They asked, "Would you feel comfortable going to a bar or a restaurant?" 71% of respondents said no. "Would you feel comfortable getting on a plane?" 85% of respondents said no. "Would you feel comfortable going to a large event?" 87% of respondents said no. Can you imagine passing a hotdog down a row to a stranger in the bleachers at a baseball game? It's unfathomable now, so we can reopen the economy, but the reality is, lots of people won't feel comfortable going back out and I do think there is a question about how our behaviors have fundamentally changed as a result of this.

Megan Greene:

If you are used to getting takeout now because you've been doing for the past month and you can all of a sudden go out, you might think, maybe I'll just get takeout again, because I'm used to it. And you might go to restaurants, but not as frequently as you did before. If you used to go to the movie theater, you might think, I love going to the cinema, but I'm pretty used to Netflix now, so you might not go as often and if you've got just a 10% drop off in all those different areas, the long lasting impact on the economy would be huge and so I think that we need to think about that and also think about what industries just aren't ever coming back.

Megan Greene:

Retail might be one of them. We've been calling for the death of retail for the past 10 years and it hasn't happened yet, but it might happen now. I can imagine a lot of these department stores might actually

uncontrollable crisis of 07, 08, but working through the balance sheets of crippled banks could very well be a problem that Europe is talking about. The ECB has already launched a proposal and rapidly had pushback. The ECB is clearly thinking that it might need to bad bank to deal with this.

Adam Tooze:

It is significantly different in its shape and that has in part to do with the way in which we squeeze some of the risk out of bank balance sheets and then shows up somewhere else and has to be handled with a new set of instruments.

Megan Greene:

There. Sorry, I was muted. Thanks.

Adam Tooze:

The world stops, Megan.

John Haigh:

We just thought you were being quiet, Megan. It was not that you had nothing to say.

Megan Greene:

No, no. We've gotten a couple of questions about an exit strategy, both for the US, but also for other economies and I kind of laid out two. One is the intermittent shut downs. Another is the testing idea with some significant government intervention in our lives. I guess there is the, introduce this serious police state to make sure that everyone who is sick is staying at home. That's another option, but I'm curious to hear what you think the most likely options are and also, you spoke to how unsynchronized this entire crisis has been globally. Is that a problem? Should we consider that in terms of how we exit?

Adam Tooze:

It's been unsynchronized because in a sense everything is. Historically speaking, the rapidity with which everyone has been hit, has been the dramatic thing, but even in that three month interval between Wuhan and where we are now, there is in deed a phased pattern. The point that I thought that you made was incredibly powerful and I think it is likely to shape as we move forward from here is that we shouldn't think of the shutdown as necessarily government driven either. Even in the Chinese case, because the events coincided with their annual New Year's holiday and so in a sense, the Chinese economy slides into a spontaneous shutdown in the last weeks of January and early February. And in that space, the government declared the shutdown because in a sense, the economy was shutting itself down for the holiday.

Adam Tooze:

If you look at, as you were saying, in Europe and the United States, the sectors which were most vulnerable were shutting down spontaneously. The restaurant bookings, the hotel bookings were collapsing before governments declared official shutdowns. I've been looking back over the reporting of the auto industry, it's very interesting because the trade unions play a very powerful role in saying to manufacturers, "Look, we've got to shut because you can't keep our members safe." And then the manufacturers look at each other and go, "Well, you know what, my supply chain is broken down anyway because other plants have shut and in case no ones buying any cars so why go on making them

Adam Tooze:

Yes, debt. There's a glib answer to that on the American side and in that glibness there is a real truth which it depends crucially on who wins the presidency in November because when you say the momentum broke down, it's kind of a bit of a euphemism. Let's face it, when you say political capital was exhausted, how was it exhausted and by whom and in the struggle over what.

Adam Tooze:

And if we just come straight out, in the US it's crisply evident what the answer to this is, right. The GOP, if it puts its mind to it, is perfectly willing to publicly say that the main purpose of their function in Congress is to ensure that the democratic incumbent has a one term presidency. Mitch McConnell's words in 2009. And that's what they did to the democratic administration. They voted, I think, to a man or woman against stimulus in JC0/431.04 d [/BnT)36)at)ncr1.6620r uoinst1(raig)slstedthir a2ainst st, puts 0 lar in the5(

Because let's be clear, if that is what happens, if we do tend towards that direction, if we do, do a pivot towards [inaudible 00:40:56], it will be crippling because the IMF's fiscal monitor protections are remarkable. They expect the average advanced economy to have a debt level of 120% of GDP. In a sense, in talking about Italy all the time, we're treating this as though it were going to be an exceptional case whereas in fact, the condition of the average advanced economy and of course making averages out of a small group is always, in a sense, deceptive because Italy is in that number. But nevertheless, what that's telling us is that everyone is going to be dealing with really high levels of debt.

Adam Tooze:

America's debt will be higher than since World War II. The UK's debt will surge as well. And so then the

that, we could have a more coherent and systemic response. But all of the pressures of pushing to nationalism, and it's not just nationalism at a federal level, you see it in the United States with the pressures between states and the federal government and you see it to your point, in Europe, Italy and the EU and can the EU hold together. So where does this leave us in terms of the governance mechanisms to really address these problems in a more systematic way? Maybe we just can't expect that to happen.

Adam Tooze:

I thought Governor Newsome in California's comment about California being a modernizing nation-state of 40 million people was one of the more remarkable punchlines to come out of this entire crisis. It made you feel terrible to be left adrift amongst the 280 million stuck in the decaying wreck of a failed federal project. No, I agree. That kind of centrifugal force is very considerable. I'm by no means a supply chains expert, but I would have thought that one of the things that comes out of this, is sort of modular regionalization. I've been looking, like I've said, at the car industry because it is the driver, the motor vehicle industry is the most sophisticated and most large scale employer of complicated value chains and the average modern car apparently involved 30,000 separate parts which all have to be sourced from the different channels so you can imagine the complexity of doing that over asynchronist shocks running across the system. But the fact of the matter is that VW, the largest [inaudible 00:48:25] car producer, its only factories which are currently producing and selling cars are in China.

Adam Tooze:

It actually does have production up and running again in China.

John Haigh:

Interesting.

Adam Tooze:

And so it remains a global company centered in Germany of course, subject to funding pressures that run through European capital markets that apparently VW is a major petitioner with the ECB, and the ECB's policy of stabilizing corporate debt markets in Europe so there's a very interesting connection, but ultimately the factories that are going and the showrooms that are open, are in China. So if that's possible, it points to new multiples in which you would have corporate control, R & D, and perhaps capital markets and funding operating at a truly global level and then manufacturing being essentially regional, macro regional, which I think is, broadly speaking, the model it operates within after as well. So you have these clusters with car parts operating either on the Canadian or Mexican border of the US. I think that's probably, it seems like a likely response.

Adam Tooze:

I'm not sure if it points, obviously for political entrepreneurs, I always want to stress agency here, this is a shock, unlike climate change, it appears to have a national solution, if you like, a small scale regional solution. It creates an opportunity for nationalist entrepreneurship, but that's what it is. It's an opportunity for people to engage in that kind of politics. It's not a structurally forced move. We've seen with Trump, whatever it is, he's banning green card applications. It's a total irrelevance, but hell, it makes for good politics at that moment. And that kind of exploitation, I think, is something that we clearly have to guard against.

Adam Tooze:

You see that in Italy right now with the struggles over the years. It goes down in the technicalities. The Italian right wing have basically made the only immediately available crisis punishment mechanism politically toxic and so you have the Prime Minister struggling back and forth, committing himself then backing away. Centrists are saying, "No, don't be stupid. Look, this is a good mechanism. Let's use it." But Salvini has really made it poisonous so there's very, very complex politics to be played out case by case around each one of these instances.

Adam Tooze:

To my mind, everyone who has a stake, and I'm going to be unabashed in my normative position in a cosmopolitanism, we should surely embrace this the other way around as an expression of a human totality that's unprecedented today. And we should honor the fact that no life essentially is too cheap right now in the world for national governments not to feel that they have to respond in a very dramatic way. I mean, historically, Modi's decisions are [inaudible 00:51:02], as ramshackle as it may have been, it's nevertheless, that's a historical turning point.

Adam Tooze:

Life in India has traditionally been at a discount whether it was ruled by the Brits or the Moguls or after Indian independence. And for Modi to say and to apologize in the way that he did, and I'm no great fan of Modi's politics, but nevertheless, that speech where he says, "You poor people must hate me now. What kind of a prime minister would do this to me?" That kind of discourse is really historically surprising and we should embrace that as a symptom and as a sign of our collective ... this is a collective ... the Chinese use this phrase a lot ... a community of fate. And that's what we are being exposed to.

John Haigh:

Adam Tooze:

Well, we've talked about the debt analogy so my answer is, for heaven's sake, let's not start that question that way because if you do, I think it's politically toxic. The force of your point is, of course, is very important. What clearly we have discovered, our dependence on public infrastructure and how ruinous it is if we don't have good public infrastructure and how we need more of it and we need reserve capacity and to subject it constantly to the test of that's an efficient use of resources. It is lethal when you are suddenly exposed to an unexpected shock for which you have no redundancy. All of those arguments end up becoming incredibly compelling and we have seen also just the huge premium, and I'm not thinking of China so much as the South Korea and the Taiwans of this world, the huge premium to be put on the ability of authorities to mobilize new technology in an efficient way.

Adam Tooze:

Nothing about the South Korean response should surprise us if you look more broadly at indicators of modernity. That just looks like the quintessence of what an increasingly rich society should do with its resources. Spend enormously on research and development, spend on education, spend on infrastructure. It's kind of like at this point all of those arguments become no-brainers and this is just a demonstration of that fact. And that by itself isn't enough because America had great epidemiologists and was quite well prepared by any metric. Then of course you also need a politics that actually listens and you need an administration that's alert. We will have had the shock this time, but surely ... I'm predisposed, my problem is I know how strongly I am biased towards this opinion anyway.

Adam Tooze:

But I would have thought this becomes compelling even to people over other different political persuasion. It seems to me the right thinking centrist republican at this point should be easily persuaded of the need to have reserve capacity, stockpiles. It's not going to reach everyone, that argument, but it surely will reach a substantial fraction of the people who come through this cutting edge. People who had responsibility at different levels. Some of them, of course, will hue to a crazy denialist kind of line, but there are going to be folks that come out of here with credit, having run, especially at the state level, reasonable operations to try and stabilize them, and that should, to my mind, should leave them feeling that something positive might come out of this experience in that respect. But otherwise, yes, clearly, it's a call for more public infrastructure and for more capacity on the part of government.

Megan Greene:

So before this all happened a lot of us were out banging the drum on sustainability questions, you most of all, I think. Is anyone going to care about that now? Is that just going to fall by the wayside or is it going to become even more important? A lot of students are asking.

Adam Tooze: CID 8-BQq0.00000912 0 612 792 reW*BT/F4 11.04 Tf1 0 0 1 130.46 709.56 Tm0 g0 G[0 TJETQ9an.

If we don't care about that, it's going to kick us in the butt hard. We're just setting ourselves up. It was never a moralistic case for me. It was never about normatives. Just look up the predictions and they are telling us t

doesn't feel like an opportunity. This is a catastrophe and you want your life back and you want your life back quick