

Recovery Packages and Structural Change of the Economy

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Robustness and Legitimacy of Models for Climate Policy Assessment



The Pandemic and the Recession

- What is the type of the recession?
 - What is the effect of the epidemic? What is the effect of the lock-down?
 - Supply shock? Or demand shock? Disruptions of supply chain and trade?
 - Labor market? Or investments?
 - Financial crisis 2008/09? or anti-inflationary policies in late 20th century?
- What are pre-pandemic challenges
 - Only partial recovery after 2008/09 crisis → permanent shock!
 - Low labor productivity growth
 - Youth unemployment and public debt in southern Europe
 - Interest rates lower than GDP growth rate

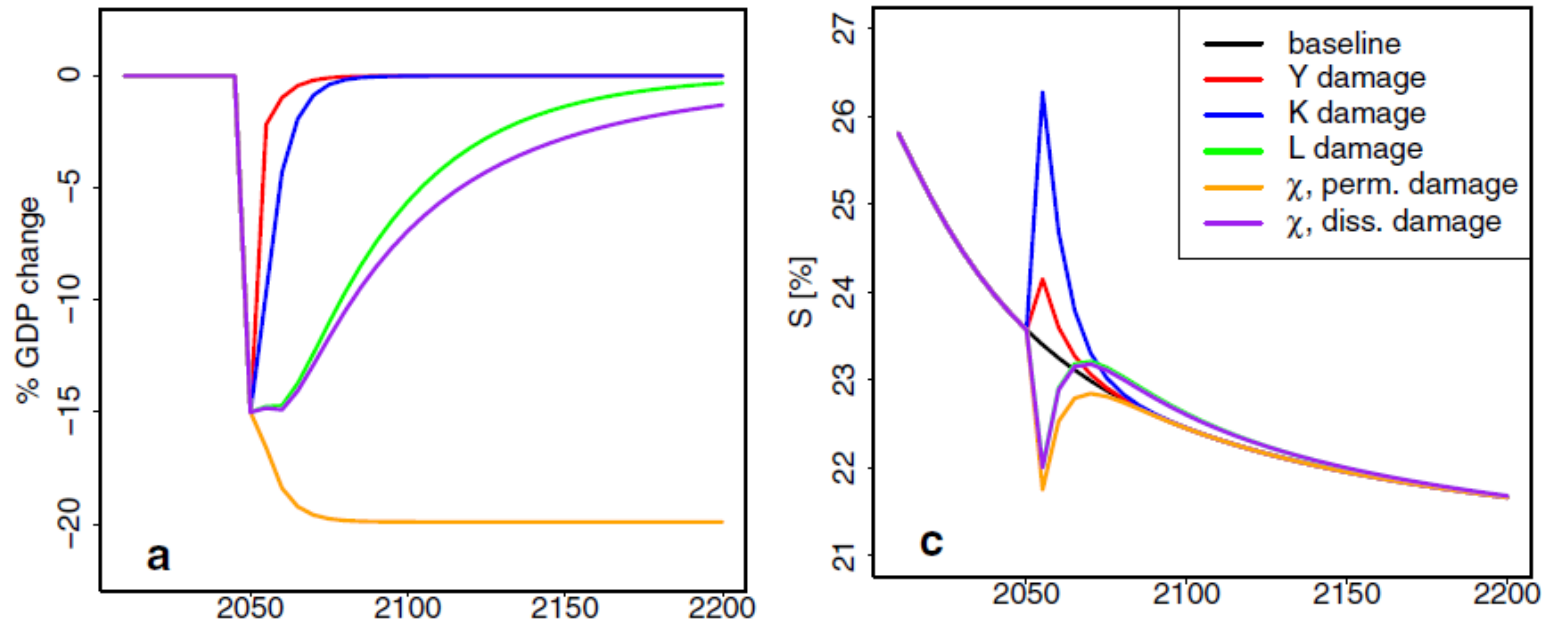


What shape towards macroeconomic recovery?

- The letter soup of shapes
 - V – temporary shock with fast recovery
 - Swoosh – ... with long recovery
 - W – double dip recession
 - L – permanent reduction of economic activity
 - J – recovery stronger than shock (renaissance)
- Drivers
 - Monetary policies
 - Fiscal policies
 - Labour markets: wage subsidy vs. unemployment benefits
 - Green New Deal



GDP shocks and recovery in growth models



Piontek et al (2018) <https://doi.org/10.1007/s10640-018-00306-7>



Near-term developments and structural change

- Trends in services
 - Increasing productivity: home office, tele-conferencing, e-payment, delivery service, ...
 - Decreasing productivity: phys. distancing in indoor spaces, mass gatherings, ...
 - Demand: tourism (transport), hospitality services, ...
 - Labor: health service jobs, ...
- Trends in manufacturing
 - Shortening of supply chains,
 - Globalization of consumer products unclear



Modeling shock, recovery and structural change

- Exogenous assumptions
 - Anatomy of the shock
 - Near-term trends and extensions
 - Policy response
- Emerging recovery scenarios
 - Dynamic response of the economy
 - Structural change
 - Labor markets
 - Investments

