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CNBC Debate on the  
Global Economy

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**THURSDAY, October 15, 2020**

12:00PM - 1:00PM, Virtual

# CNBC Debate on the Global Economy

Sponsored by the IMF's Communications Department and Research Department

**T**he world economy has been hit by the biggest shock in the postwar era. Governments have responded with unprecedented measures to protect lives and livelihoods. Are we out of the woods yet? Join this debate on the global economic outlook.



**Adam, Christopher, Mark Henstridge, and Stevan Lee. 2020.**

[\*\*"The Impact of Global Economic Disruption is as Big a Threat to Low-Income Countries as the Direct Effects of COVID-19."\*\*](#) *VoxEU.org*, September 8.

The small open economies of sub-Saharan Africa are substantially constrained in their ability to respond to the COVID-19 shock through fiscal adjustment. The scale of contraction in external demand, combined with limited fiscal space, means that without substantial external support, feasible policy packages in many of these countries translate to austerity programmes. This column uses a dynamic general equilibrium model calibrated to data from Uganda to characterise the macroeconomics of the pandemic and its aftermath in sub-Saharan Africa. It finds that the recovery depends significantly on how the public finances are restored to sustainability, and may be accelerated with external support.

**Garcia-Navarro, Lulu, Jim Zarroli, and Gita Gopinath. 2020.**

[\*\*"Global Economy Far Worse Off Than Previously Thought, IMF Predicts."\*\*](#) *Weekend Edition Sunday, National Public Radio*, June 28.

The International Monetary Fund forecasts that economies hit by COVID-19 are in more trouble than previously forecasted. NPR's Lulu Garcia-Navarro and Jim Zarroli speak with the IMF's Gita Gopinath.

**Georgieva, Kristalina, and David Ignatius. 2020.**

[\*\*"The Path Forward: The Global Economy."\*\*](#) *Washington Post Live*, June 3.

International Monetary Fund Managing Director Kristalina Georgieva joins Washington Post Columnist David Ignatius on Washington Post Live to discuss how the Fund is responding to the global pandemic.

**Golding, Ian. 2020.**

[\*\*"Rethinking Global Resilience."\*\*](#) *Finance & Development* 57 (3), 4–9.

An infected passenger flies from Wuhan to Milan, a computer virus invades an internet connection, subprime defaults in the US Midwest trigger a global economic crisis. The super-spreaders of the goods of

globalization—airport hubs, fiber-optic cables, global financial centers—are also the super-spreaders of the bads. This is the "butterfly defect" of globalization, the systemic risk endemic to our hyperconnected world, in which small actions in one place can spread rapidly to have global effects.

**International Labour Organization. 2020.**

[\*\*ILO Monitor: COVID-19 and the World of Work \(4th edition\).\*\*](#) Geneva: International Labour Organization.

The ILO's latest analysis of the labour market impact of COVID-19 exposes the devastating and disproportionate effect on young workers, and analyses measures being taken to create a safe return to work environment. More than one in six young people have stopped working since the onset of the COVID-19 pandemic while those who remain employed have seen their working hours cut by 23 per cent, says the International Labour Organization (ILO).

**International Monetary Fund. 2020.**

[\*\*World Economic Outlook: The Great Lockdown, April, Washington, DC: International Monetary Fund.\*\*](#)

The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by–3 percent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario—which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support.

**McKibben, Warwick and David Vines. 2020.**

[\*\*"Global Macroeconomic Cooperation in Response to the Covid-19 Pandemic: A Roadmap for the G20 and the IMF."\*\*](#) *Oxford Review of Economic Policy* 36 (S1), S297–S337.

The COVID-19 crisis has caused the greatest collapse in global economic activity since 1720. Some advanced countries have mounted a massive fiscal response, both to pay for disease-fighting action and to preserve the incomes of firms and workers until the economic recovery is under way. But there are many emerging

market economies which have been prevented from doing what is needed by their high existing levels of public debt and—especially—by the external financial constraints which they face. We argue in the present paper that there is a need for international cooperation to allow such countries to undertake the kind of massive fiscal response that all countries now need, and that many advanced countries have been able to carry out. We show what such cooperation would involve. We use a global macroeconomic model to explore how extraordinarily beneficial such cooperation would be. Simulations of the model suggest that GDP in the countries in which extra fiscal support takes place would be around two and a half per cent higher in the first year, and that GDP in other countries in the world be more than one per cent higher. So far, such cooperation has been notably lacking, in striking contrast with what happened in the wake of the Global Financial Crisis in 2008. The necessary cooperation needs to be led by the Group of Twenty (G20), just as happened in 2008–9, since the G20 brings together the leaders of the world’s largest economies. This cooperation must also necessarily involve a promise of international financial support from the International Monetary Fund, otherwise international financial markets might take fright at the large budget deficits and current account deficits which will emerge, creating fiscal crises and currency crises and so causing such expansionary policies which we advocate to be brought to an end.

**Organisation for Economic Co-operation and Development. 2020.**

[\*\*\*OECD Economic Outlook, 2020 \(1\). Paris: Organisation for Economic Co-operation and Development.\*\*\*](#)

The COVID-19 pandemic is a global health crisis without precedent in living memory. It has triggered the most severe economic recession in nearly a century and is causing enormous damage to people’s health, jobs and well-being. The Outlook focuses on two equally probable scenarios – one in which a second wave of infections, with renewed lock-downs, hits before the end of 2020, and one in which another major outbreak is avoided.

**United Nations. 2020.**

[\*\*\*World Economic Situation and Prospects 2020. New York: United Nations.\*\*\*](#)

The global economy has suffered a significant slowdown amid prolonged trade disputes and wide-ranging policy uncertainties. While a slight uptick in economic activity is forecast for 2020, the World Economic Situation and Prospects 2020 warns that economic risks remain strongly tilted to the downside, aggravated by deepening political polarization and increasing skepticism over the benefits of multilateralism. These risks could inflict severe and long-lasting damage on development prospects. They also threaten to encourage a further rise in inward-looking policies, at a point when global cooperation is paramount.

Compounding the economic slowdown, rising global temperatures and the increasing frequency and intensity of weather-related shocks press home the urgent need for a dramatic shift in the global energy mix. The World Economic Situation and Prospects 2020 explores the global economic implications of this energy transition. The transition to a cleaner energy mix will bring not only environmental and health benefits, but economic opportunities for many. However, without appropriate policy strategies, the costs and benefits will be unevenly distributed within and between countries

**World Bank. 2020.**

[\*\*\*“The Global Economic Outlook During the COVID-19 Pandemic: A Changed World.” In \*Global Economic Prospects\*, June 2020. Washington, DC: World Bank.\*\*\*](#)

The COVID-19 pandemic has spread with alarming speed, infecting millions and bringing economic activity to a near-standstill as countries imposed tight restrictions on movement to halt the spread of the virus. As the health and human toll grows, the economic damage is already evident and represents the largest economic shock the world has experienced in decades.

The June 2020 Global Economic Prospects describes both the immediate and near-term outlook for the impact of the pandemic and the long-term damage it has dealt to prospects for growth. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020, using market exchange rate weights—the deepest global recession in decades, despite the extraordinary efforts of governments to counter the downturn with fiscal and monetary policy support. Over the longer horizon, the deep recessions triggered

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