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**The Expected Impact of the Coronavirus Crisis on the World Economy  
What's Next?**

**Prof. Horst Löchel  
March 31, 2020**

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## FOUR PROPOSITIONS

- 1st      The Coronavirus will perhaps trigger the deepest (economic) crisis since the end of WW II
- 2nd      Policy actions are unexampled but right
- 3rd      The crisis is an ethical challenge too: Benefits and costs of the shutdown have to be judged
- 4th      Post – Coronavirus World: Acceleration of already existing trends to the better or the worse

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**PROPOSITION:  
DEEPEST CRISIS SINCE WW II**

- This time is different: all sectors and all countries are affected simultaneously
- Advanced economies will suffer, but emerging and developing perhaps even more
- U-Shaped business cycle is most likely; best case: V-shaped and worst: L-shaped
- Germany will be hit hard
- US-Outlook is crucial, but not optimistic
- Policy make a difference in fighting the disease and mitigate its impact

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**PROPOSITION:  
POLICY ACTIONS ARE UNEXAMPLED BUT RIGHT**

- Lessons learnt: Avoid another 1929
- Government spending (Keynes) and money (Friedman) matter
- Bazookas in the ‚West‘ and fine tuning in the ‚East‘
- Debt relief for the poorest countries

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**PROPOSITION:**

**THE CRISIS IS AN ETHICAL CHALLENGE TOO:**

**BENEFITS AND COSTS OF THE SHUTDOWN HAVE TO BE JUDGED**

- No free lunch but trade-off
- An exit and relaunch strategy is needed
- The China-Experience

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**PROPOSITION:**

**POST – CORONAVIRUS WORLD:**

**ACCELERATION OF ALREADY EXISTING TRENDS TO THE BETTER OR WORSE**

- Negative scenario: Protectionism, decline of international value chains combined with rising prices and inflation (stagflation), less market economy and more state capitalism, break-down of international institutions including EU, Thukydides-trap between USA and China.
- Positive scenario: Business: Reinvention of global connectivity and creative destruction: less physical and more digital business models that are more environmental friendly too.  
Policy: A wake-up call for global coordination and cooperation.
- Last but not least: The future of globalisation: Too much of a good thing?

Richard Baldwin and Beatrice Weder di Mauro (2020)

Economics in the time of COVID-19: A new eBook

<https://voxeu.org/article/economics-time-covid-19-new-ebook>

Robert J. Barro, José F. Ursúa, and Joanna Wenig (2020)

The Coronavirus and the great influenza-pandemic: Lessons from the 'Spanish flu' for the Coronavirus potential effects on mortality and economic activity

<http://papers.nber.org/tmp/94691-w26866.pdf>

Sergio Correia, Stephan Luck, and Emil Verner (2020)

Pandemics depress the economy, public health interventions do not: Evidence from the 1918 flu

[https://papers.ssrn.com/sol3/Papers.cfm?abstract\\_id=3561560](https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=3561560)

Martin S. Eichenbaum, Sergio Rebelo, and Mathias Trabandt (2020)

The macroeconomics of epidemics

<http://papers.nber.org/tmp/1478-w26882.pdf>

Yuval Noah Harari (2020)

The world after coronavirus

<https://www.ft.com/content/19d90308-6858-11ea-a3c9-1fe6fedcca75>

Ifo-Institut: Die volkswirtschaftlichen Kosten des Corona-Shutdown für Deutschland (2020)

<https://www.ifo.de/publikationen/2020/aufsatz-zeitschrift/die-volkswirtschaftlichen-kosten-des-corona-shutdown>

Sachverständigenrat (2020)

Die gesamtwirtschaftlichen Lage angesichts der Corona-Pandemie

[https://www.sachverstaendigenrat-wirtschaft.de/no\\_cache/publikationen/sondergutachten-expertisen.html](https://www.sachverstaendigenrat-wirtschaft.de/no_cache/publikationen/sondergutachten-expertisen.html)

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**THANKS  
FOR YOUR  
ATTENTION**





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