Section 1. The Coronavirus Pandemic and Economic Policy Trends[1]

A turbulent decade ended with the turbulent year of 2020. Starting with the global financial crisis of 2008-2009, the world economy and politics were in a state of unstable uncertainty, which ended with a full-scale explosion - the pandemic of a new coronavirus. The further socioeconomic development of the world as a whole and of individual countries (developed and leading developing) will be determined by how the lessons of the past 12 years and of 2020 in particular are studied, interpreted and assimilated.

The events of 2020 have been compared with different crisis periods of the past, especially economic ones: the Great Depression of the 1930s[2], the structural crisis of the 1970s, the financial and economic crisis of the 1970s, and the economic crisis of the 1980s. These comparisons are fair, especially if you compare their quantitative characteristics - the depth of the recession, the scale of unemployment, etc. But to understand the current situation and identify ways to overcome the crisis, we need an analysis that goes beyond historical analogies (important as they are) and beyond economic subjects and arguments.

1.1. The non-economic nature of the crisis and anti-crisis policy measures

In the starting point of this analysis we should state that the events of 2020 have, at their core, a non-economic nature. There is an economic crisis, but it is neither cyclical, nor financial, nor structural. The economic crisis is the result of

1 This section was written by *Mau V.*, Doctor of Economics, Professor, Rector of the Russian Presidential Academy of National Economy and Public Administration.

2 The similarity of a number of parameters of the current situation with the Great Depression was pointed out by V.V. Putin in his speech at the forum in Davos on January 27, 2021. Putin, speaking at the forum in Davos on January 27, 2021: "Of course, there are no direct parallels in history. But some experts - I respect their opinion - compare the current situation with the 1930s. You can agree or disagree with this situation. But by many parameters, by the scale and the complex, systemic nature of the challenges and potential threats, certain analogies come to mind."

factors exogenous to socioeconomic life, the result of a natural (or biological) cataclysm. This has happened in history, when socioeconomic processes were significantly (and even radically) transformed under the influence of external circumstances, and not only natural, but also military and political. However, even in these circumstances the role of socioeconomic processes has never been passive, only responding to external challenges. External shocks become a trigger and catalyst for those changes that were previously accumulated in the socioeconomic system, including through technological innovations.

The combination of exogenous (non-economic) shocks and the economic crisis, which is only partly a consequence of exogenous factors, makes the situation in 2020 unique.[1]

Analyzing the processes of the year that has ended, it is important to consider together the economic contradictions accumulated by this time, technological innovations and the external shock itself, which launched very complex crisis and transformation processes that affect all aspects of human society.

In our opinion, drawing an analogy with war provides the most accurate understanding of the events of 2020. Comparisons with war can be heard in the speeches of the leaders of many countries, and this is not a tribute to heroism - it is an adequate description of the challenge facing humanity.[2]

First of all, such comparisons reflect the uncertainty and poor predictability of the enemy virus. As in any war, national governments were immediately faced with the tasks of:

- countermeasures by means available at the time of the outbreak of war (medicine);
- developing new weapons, which applied science, developing vaccines and new medicines, had to provide;
- finding out the enemy's intentions by penetrating into its "general headquarters," which required deep scientific research, expected to

1 In the midst of the structural crisis of 2008-2009, the widely acclaimed study by K. Reinhart and Rogoff, This Time Is Different: Eight Centuries of Financial Folly was published, which, among other 3. At the height of the structural crisis of 2008-2009, an important work analyzed the common features of different financial crises of the past and the similarity of mistakes made by governments in dealing with them. (*Reinhart Carmen M., Rogoff Kenneth S*. This Time Is Different. Eight Centuries of Financial Folly. M., 2014: Sberbank.). But in 2020, K. Reinhart, who by that time had become the chief economist of the World Bank, came out with an article with the characteristic title - "This Time Truly Is Different" (*Reinhart Carmen*. This Time Truly Is Different // Project Syndicate. 2020, March 23. URL: https://www.project-syndicate.org/commentary/covid19-crisis-has-no-economic-precedent-by-carmen-reinhart-2020-03).

2 Comparisons with war have been regularly heard in statements by politicians. Perhaps the first to do so was French President E. Macron in March 2020. German President F.-W. Steinmeier, on the contrary, suggested not to use comparisons with war, but to see the pandemic as a test of humanism. Gradually, these themes appear in analytical reports. See, for example, the McKinsey Global Institute study "The 'War' on COVID-19: What Real Wars Do (and Don't) Teach Us About the Economic Impact of the Pandemic," published in May 2020 (*McKinsey*. The 'War' on COVID-19: What Real Wars Do (and Don't) Teach Us About the Economic Impact of the Pandemic. McKinsey Global Institute. 2020, May 14. URL: https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/the-war-on-covid-19-what-real-wars-do-and-dont-teach-us-about-the-economic-impact-of-the-pandemic).

understand the logic of virus behavior, mutations and other peculiarities of its development.[1]

As in any war, society was faced with an existential choice: to save the economy or human lives, infrastructure or institutions. How to make a choice between lockdown and the formation of "herd immunity"? After all, this is a choice between saving lives and economic well-being (at the same time it should be recognized that this choice does not really exist: economic collapse itself becomes dangerous for the physical survival of people). In 2020, just as in war, the governments of many countries were faced with this choice, and they had to make very difficult decisions, not so much on the basis of logic or political reasoning, but primarily on the understanding of the value of human life and the level of socio-political consolidation of society, the level of trust of citizens in national institutions.

The crucial question in 2020 was to what extent closing the economies would save lives, and to what extent it would lead to economic depression with grave social consequences. The world was moving forward by touch. Countries were making very individual choices, choices that depended on the relationship between society and the state. Some could afford austerity measures like China, Singapore or South Korea. Some, like Australia, for geographical reasons, can virtually shut down the country. The high level of public trust allows Sweden to choose the way of collective immunity and to limit itself to recommendatory measures. Most European countries, including Russia, have sought a balance between the two extremes.[2]

Several conclusions for the formation of economic policy follow from this assessment of the situation.

First of all, there is a structural and organizational restructuring of the economy. There are two different but interrelated processes: short-term changes associated with repulsing the attack ("rebuilding the economy on war footing") and long-term trends.

The first includes the need to quickly organize the production of the necessary means of warfare and protection: masks, gloves, disinfectants, and everything related to individual and collective protection of people. At the same time, the organization of production processes is being reorganized so as to meet the challenges of social distancing and supply logistics.

At the same time, we are witnessing profound structural shifts with lasting effects. This is particularly noticeable in the services and human capital sectors. The most significant and visible shifts are in the reassessment of the role of health and education, in the dramatic growth of distant forms of interaction

1 "Lockdowns of entire cities. Panic in financial markets. Bare store shelves. Shortages of hospital beds. The world has entered a reality unknown outside wartime." (*Frydman Roman, Phelps Edmund S.* Insuring the Survival of Post-Pandemic Economies // Project Syndicate. 2020, March 23. URL: https://www.project-syndicate.org/commentary/economic-insurance-requires-massive-government-intervention-by-roman-frydman-and-edmund-s-phelps-2020-03).

2 Jean Pisani-Ferry considers best the approach that gave the priority to people's health over economic considerations. (*Pisani-Ferry Jean.* The Challenges of the Post-Pandemic Agenda // Project Syndicate. 2020. July 27. URL: https://www.project-syndicate.org/commentary/harsh-uncertain-economic-transition-after-covid19-by-jean-pisani-ferry-2020-07?barrier=accesspaylog)

between people and organizations, and in the increased emphasis on the spatial organization of production.

This raises the question of the sustainability of these changes. And naturally, one of the most important questions of the present is: *which institutional and organizational innovations are temporary and will last for a short time, and which will remain for a long time, or even forever?*

During the military cataclysms of the twentieth century, new institutions were formed that were perceived ambiguously by their contemporaries. Some regarded them as purely temporary, connected exclusively with the war and destined to disappear after its end. Others saw in them the outlines of a future social order, whose preconditions had been forming during a rather long preceding period, and believed that the war had only hastened their establishment.[1]

In this connection an analogy with the growth of state regulation of the economy during World War I is appropriate. The question then was whether this was a purely military phenomenon that would go away with the advent of peace, or whether a socioeconomic model for the future was taking shape. We now realize that the underestimation of the stability of new institutions and mechanisms and the attempt to return to old institutions (such as the gold standard) in the 1920s was an important factor in the socioeconomic catastrophe of the 1930s.

The question of the new institutions that emerge in the course of global cataclysms deserves a special analysis, which is beyond the scope of this paper. Here we will only draw attention to the following circumstances.

First, new institutions are indeed not generated by the cataclysm exogenous to the economy itself; it only accelerates society's acceptance of new institutions and their dissemination as legitimate. Their preconditions mature over a fairly long period and are associated with changes in society's technological base.

Secondly, it is not only the fact of the emergence of a new institution that is important, but also the form of its implementation and the degree of its spread, which can vary significantly from country to country, depending on the circumstances of their history and political tradition. For example, a sharp increase in state regulation (and the share of the state in GDP) occurred in the mid-20th century in all countries, but differed qualitatively in market and centrally administered systems. The abandonment of the gold standard had

1 Characteristic was the discussion of Russian economists around the assessment of the prospects of the economic model established during World War I and the Russian Revolution. As a result of the 1917 revolution, a political force that essentially denied market relations came to power in Russia, and for it, the military centralized management of the economy fit into the idea of the "right" direction of development. However, there was already a fierce controversy between those who saw in the military economy (and especially in "military communism") a "breakthrough to the future" or a "foretaste of the future" (*L. Kritsman*, The Heroic Period of the Great Russian Revolution. Moscow: State Publishing House,1925), and those for whom "crude military communism" had nothing in common with the future society of free toilers (genuine communism), and therefore the excesses of wartime had to be resolutely overcome (*Bogdanov A*. Questions of Socialism. M.: Book Publishing House of Writers in Moscow,1918), and an economic model combining state regulation with a functioning market should be formed in the country (*Kaktyn A*. Sketches on the Organization of the National eEonomy. M.; 1922; *Ginzburg A*. Preface // Legislation on Trusts and Syndicates. M., VSNKH. 1926). See for details of these discussions: *Mau V.* Reforms and dogmas. M., Delo. 2013, pp. 222-227, 273-276.

different manifestations in the organization of the Soviet and market monetary economies. In other words, new institutions could be implemented differently and with different degrees of effectiveness.

Thirdly, it is important to distinguish desirable and undesirable tendencies, which carry with them new institutions - not all of them will work for the benefit of social progress. The situation is further complicated by the fact that the evaluation of the effectiveness or ineffectiveness of an institution may vary depending on the time horizon (historical perspective): often, what seems effective for short-term problems can turn into serious losses in the medium and long term. Thus the very assessment of the effectiveness of a given institution may change over time.

It is not difficult to see that the principles and limitations outlined are fully applicable to the confrontation with COVID-19 in 2020-2021. Below we will take a closer look at some of the institutional innovations that are emerging before our eyes and that are causing contradictory assessments - from new normality to harbingers of severe crisis and degradation. This applies to modern macroeconomic innovations (negative interest rates or the “modern monetary theory” that abolishes the limits of budgetary borrowing in national currency), the hypothesis of “long-term stagnation,” a return to the mid-20th century model of “big government,” the possibility of total digitalization with the prospect of a “Big Brother,” the transition to online education and healthcare, and so on.

1.2. Economic peculiarities of the 2020 shock and anti-crisis policy

The crisis born of the pandemic has a number of specific features, consideration of which is important both for the complex of anti-crisis measures, and for economic policy at the stage of overcoming the crisis. First of all, it is necessary to clarify the understanding of “new normality,” which has been the subject of discussion for the past 12 years. However, this problem is usually perceived as a manifestation of a specific macroeconomic situation - a combination of very low inflation, low growth rates, low (or even negative) interest rates, and high debt burden of the budgets of developed countries.

The coronavirus pandemic allows us to push the boundaries of the “new normal” discussion and, most likely, move away from many of the perceptions of the past decade.

1.2.1. Peculiarities of the 2020 Shock

To understand the reality of the year that has ended, it is important to highlight several specific features in it that affect the assessment of the situation and measures of anti-crisis and post-crisis economic policy. First of all, we have in mind the presence of *three types of contradictions in the economic situation*, which make the crisis unique.

The *first contradiction* consists in the necessity to actively use measures of fiscal and monetary stimulation while the efficiency of these measures is very limited. The problem is not only in the risks of macroeconomic stability related to the application of these measures.

Financial injections can indeed mitigate the painfulness of shocks, but they cannot remove the circumstances that generate these shocks. This is all the more important because the shocks that need to be countered go beyond socioeconomic problems and the instruments that correspond to them. "Monetary and fiscal measures can smooth out short-term problems in financial markets and in severely affected companies and households. But they have nothing to do with the main priority: to contain and mitigate the spread of the disease."[1] Not to mention the fact that "fiscal activism" is fraught with serious destabilization in the future, following the stagflationary scenario of the 1970s.

The *second contradiction* is between the exogenous shock and structural problems of the economy. On the one hand, as noted above, the crisis of 2020 is neither structural nor cyclical. In other words, the main problems of firms are not related to their inefficiency, and it is mainly a problem of liquidity, not solvency. This is also confirmed by the absence of a financial crisis, which is an inherent feature of structural crises. Therefore, governments can and should support economic agents (firms and people).

On the other hand, we cannot ignore the legacy of the global structural crisis of 2008-2009. It was left unfinished; it was "bought off" as it were. Thanks to the effective and coordinated anti-crisis policy of the leading countries, they managed to avoid the worst scenario by the parameters of recession and employment: structural reforms were bailed out by massive financial injections of fiscal and monetary authorities. The preservation of social and political stability was paid for by abandoning "creative destruction" (J. Schumpeter), unprecedented accumulation of public debt and central bank balance sheets, unconventional macroeconomics (extremely low or negative interest rates), and consistently low rates of economic growth. This means that despite the exogenous nature of the shock, the problem of structural reforms remains on the agenda and should be taken into account already at the stage of recovery growth. State assistance should not torpedo structural modernization, which is especially important for modern Russia.

In addition, the macroeconomic consequences of the structural crisis of 2008-2009 have an impact on the limits of resistance to the current crisis - the possibilities of monetary injections into the economy are limited.

The *third contradiction* is related to the intertwining of supply and demand shocks. In fact, counteraction to them requires, in fact, opposite measures. In a situation of a demand shock, it is possible to widely use monetary stimulus ("helicopter money"), which is an important lesson learned from the experience of the Great Depression of the 1930s. In a situation of a supply shock, monetary

1 "There is a broad consensus that the best way to restart the engine of global economic growth would be to straighten the growth curve of the COVID-19 virus - both in individual countries and in the world as a whole. It is this task, not the monetary and fiscal policy prescriptions used during the last crisis, that should be at the center of the authorities' laser sight during the current crisis. History testifies to the resilience of the modern world economy, which has survived one negative shock or another" (*Roach Stephen*. The False Crisis Comparison // Project Syndicate. 2020, March 19. URL: https://www.project-syndicate.org/commentary/covid-19-crisis-nothing-like-2008-by-stephen-s-roach-2020-03?barrier=accesspay).

injections become dangerous, as they lead to stagflation, a problem that is no less complicated than deflation, as the experience of the structural crisis of the 1970s shows. The crisis of 2020 began as a supply-side crisis, making it radically different from both the Great Depression of the 1930s and the Great Recession of 2008-2009. Businesses in industry and commerce stopped, not because of their inefficiency, not because of the collapse of the financial and banking system, but because of border closures and lockdowns. The physical restriction of the production of goods and services cannot be compensated by money, because in this case the growth of the nominal money supply would be followed by inflation and then by stagflation. This is why comparing the 2020 crisis to the Great Depression would be appropriate from a quantitative point of view, but not for the substance of the economic problems. "At no time since the 1930s have developed and developing economies faced a situation of a combination of international trade gaps, declining world commodity prices, and simultaneous economic contraction. Indeed, the causes of the current shock and the responses must be substantially different. After all, the measures of lockdown and distancing ensure saving people's lives at the cost of huge economic losses."[1] The macroeconomic stimulus measures aimed at counteracting the shock crisis also entail great risks.[2]

However, the supply shock was followed by a demand shock. This factor, as well as persistently low inflation[3] and cheap debt, created opportunities for the active use of monetary stimulus instruments. Of course, in this case it is necessary to conduct a very cautious monetary policy with constant monitoring of the risks of inflationary surges.[4] Besides, continuing the logic of comparing a pandemic shock with a war, it is worth noting that an increase in government demand with limited supply is characteristic of war.

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1 See *Reinhart Carmen*. "If It's Not Over on the Disease ... It's Not Over on the Balance Sheet" //The Harvard Gazette. 2020, May 20. URL: https://news.harvard.edu/gazette/story/2020/05/carmen-reinhart-named-chief-economist-at-the-world-bank/

2 "Fiscal and monetary easing is not the right answer to a permanent supply shock. Easing policies in response to the oil shocks of the 1970s led to double-digit inflation and a sharp, rice-vanishing rise in public debt. Moreover, if the economic downturn leads to the insolvency (not just illiquidity) of individual corporations, banks, and government agencies, there would be no point in keeping them afloat. In such cases, financial support from creditors themselves (debt restructuring and write-offs) is a more appropriate solution than "zombifying" financial assistance from the government" (*Roubini N*. The Allure and Limits of Monetized Fiscal Deficits // Project Syndicate. 2019, October 28. URL: https://www.project-syndicate.org/commentary/limits-of-mmt-supply-shock-by-nouriel-roubini-2019-10?a_la=english&a_d=5db6dd5f72fd112ef8fccbc9&a_m=&a_a=click&a_s=&a_p=%2Fcolumnist%2Fnouriel-roubini&a_li=limits-of-mmt-supply-shock-by-nouriel-roubini-2019-10&a_pa=columnist-commentaries&a_ps=&a_ms=&a_r=&barrier=accesspay)

3 Causes of consistently low inflation are discussed in the following papers: *E. Goryunov, S. Drobyshevsky, V. Mau, P. Trunin*, What Do We (Not) Know About the Effectiveness of MP Instruments in the Modern World? // Voprosy ekonomiki. 2021, № 2. C. 5-34; *Ha J., Ivanova A., Ohnsorge F. L., Unsal F*. Inflation: Concepts, Evolution, and Correlates. The World Bank Policy Research Working Paper. 2019, No. 8738. URL: https://doi.org/10.1596/1813-9450-8738; *Blanchard O., Cerutti E., Summers L*. Inflation and Activity - Two Explorations and Their Monetary Policy Implications. NBER Working Paper, 2015, no. w21726. URL: https://dx.doi.org/10.3386/w21726; *Rogoff K*. Globalization and global disinflation. Economic Review - Federal Reserve Bank of Kansas City, 2003, Vol. 88, No. 4, pp. 45-80.

4 In 2020, economists began to write regularly about the risks of a breakdown into high inflation. A number of articles in The Economist (Will inflation return? // The Economist. 2020, December 12-18. URL: https://www.economist.com/weeklyedition/2020-12-12)

There is another important circumstance from the point of view of demand regulation. A structural consequence of a pandemic could be the strengthening of autarkic tendencies (within individual countries or groups of countries) as a hedge against the future destruction of global ties. From this perspective, the state can finance this kind of structural shift.

Moreover, despite the inherently non-economic nature of the 2020 shock, the state's economic policy cannot be limited to current measures to counteract the crisis. It should always contain elements of structural transformation.

In Russia 2020 the situation with a double shock looks even more complicated.[1] Here we can see the intertwining of several serious problems on both the demand and supply sides.

On the demand side, as early as Q1 2020, there was a sharp deterioration in the terms of trade for Russia: a drop in export prices for oil and hydrocarbons and a reduction in demand for some Russian exports (except hydrocarbons) due to the slowdown of the world economy, and the decline in physical volumes of exports was even more important here than the price drop. At the same time there was a drop in domestic demand due to the reduction of gross national income (lower export revenues and trade balance, as well as ruble devaluation) and real disposable incomes of the population. This demand could and should have been supported by the state.

On the supply side, there was a shock equivalent to a one-time reduction in the volume of available capital and labor resources in the conditions of enterprise closures due to the spread of the coronavirus. In addition, there was a decrease (temporary) in total factor productivity due to the urgent transfer of companies' work to a remote format, as well as possible restrictions on transport connectivity and the functioning of established logistical chains. However, transfer to remote work, despite the initial shock, may become a significant factor of productivity growth at the next stage.

All these factors together led to an economic downturn comparable in depth with the Great Depression of the 1930s, as V.V. Putin said at the forum in Davos in January 2021. However, the acuteness of the crisis is determined not just by the recession, but by the duration of this recession or, more precisely, by the risk of a recession turning into a depression. A short-term contraction is unpleasant, but not catastrophic. Depression leads to the degradation of infrastructure, both industrial and social (which is not the same as "co-destruction").

A brief, albeit sufficiently deep, recession is usually replaced by a vigorous rebound, and under these conditions, a restorative growth model is implemented that does not require any significant investment. This model is sometimes described

1 See the Court of Accounts report with the participation of the Gaidar Institute (Court of Accounts, 2020. Forecast of key indicators of socioeconomic development of the Russian Federation for 2020-2023 / Accounts Chamber of the Russian Federation, E.T. Gaidar Institute for Economic Policy. URL: https://ach.gov.ru/upload/pdf/%D0%9C%D0%B0%D0%BA%D1%80%D0%BE%D0%BF%D1%80%D0%BE%D0%B3%D0%BD%D0%BE%D0%B7%20%D0%BD%D0%B0%202020-2023%20%D0%B3%D0%BE%D0%B4%D1%8B%20%D1%84%D0%B8%D0%BD%D0%B0%D0%BB.pdf)

by the Latin letter V, although the more dramatic W may also be appropriate here. An alternative scenario of prolonged depression is described by the letter L.

At the beginning of 2020 the experts had serious doubts about the V scenario, but it would be wrong to rule it out. It was also supported by the fact that the crisis of 2020 had no structural character, i.e. to overcome it the “external factor” (virus) should be eliminated, rather than the implementation of urgent economic reforms. Thus, the very choice between trajectories V and L was associated with the ability to eliminate the source of the recession, both by the efforts of the scientific and medical community, and adequate measures of state power.

1.2.2. Specifics of anti-crisis policy

Almost all developed and leading developing countries were ready to invest considerable funds to cushion the socioeconomic consequences of the crisis. According to existing estimates, by mid-April 2020, stimulus measures totaling about $11 trillion were announced worldwide. The funds were mainly intended to address three groups of tasks: support for citizens (including direct payments to households and a moratorium on debt service), saving jobs and helping businesses, especially small and medium-sized ones.[1]

It is possible to distinguish several options (models) of anti-crisis policy, which were implemented in different countries in 2020. They largely depend on the structure of the economy (including the share of the private sector and especially small business), the financial capacity of the state, the efficiency of monetary policy institutions, and, most importantly, on political preferences and the model of economic and political development of this or that country. Taking into account these factors and with an understandable degree of conditionality we can distinguish three types of responses to the challenges of the pandemic: market-liberal, market-regulated (social-democratic), as well as inherent in the modern emerging markets. Naturally, they have different short- and medium-term consequences for the well-being of people and the economic development of countries. [2]

Regulated-market countries help people and businesses vigorously, i.e., they protect jobs and current economic activity. However, this inhibits economic efficiency growth, which in the medium term translates into slower economic growth. This includes most European countries with a strong socioeconomic tradition, as well as South Korea. However, it would be wrong to see this policy as fiscal populism. On the contrary, the very possibility of such policies is based on sound macroeconomics, including tight control over budget expenditures, and

1 See: *Sneader Kevin and Shubham Singhal*. The Future Is Not What It Used To Be: Thoughts on the Shape of the Next Normal. McKinsey and Company. 2020, April. URL: https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Leadership/The%20future%20is%20not%20what%20it%20used%20to%20be%20Thoughts%20on%20the%20shape%20of%20the%20next%20normal/The-future-is-not-what-it-used-to-be-Thoughts-on-the-shape-of-the-next-normal.ashx.

2 See: *Cassim Ziyad, Borko Handjiski, Jųrg Schubert and Yassir Zouaoui*. The $10 Trillion Rescue: How Governments Can Deliver Impact: Governments have announced the provision of trillions of dollars in crisis relief, but translating that into sustained recovery will not be easy. McKinsey. 2020, June.

a quality institutional environment. Since, as a rule, small and medium business occupies a leading (if not dominant) position here, support for people, employment and business is largely overlapping. However, the risk of such a policy is that excessive aid to companies may in the medium term (beyond the time frame of the current shocks) lead to their stagnation and inhibition of structural modernization.

Countries oriented more toward free market values face higher current risks, but they have more room for structural maneuvering in the medium term. Here, state aid is focused on people (households) rather than on business (including workers). In other words, in market economies social expenditures are dominant in the measures of anti-crisis policy, reaching in some cases 15% of GDP. And this is understandable if we take into account that in such economies large corporations play a significant role, which do not usually need direct support. "Countries with liberal market economies face greater short-term risks than those with regulated markets, but they have more flexibility to sustain momentum over the long term."[1]

Emerging economies affected by the pandemic most often face the problem of a large informal (shadow) sector, which plays an important role in socioeconomic dynamics and political stability, but which, by its nature, is very difficult to target with public support. Another peculiarity of the situation is the limited financial resources, which the state can attract from the market on acceptable terms (taking into account inflation and credit history of these countries).

Russia stands apart from the three described models. A relatively small share of small and medium-sized enterprises (SMEs) makes it possible to get along with limited amounts of money for economic support, concentrating mostly on social assistance for families. And the minimum values of the state debt provide ample opportunities for attracting financial resources for these purposes.

1.3. Medium-term problems and challenges of economic policy

One of the most difficult problems of economic policy in the context of the crisis is to ensure a balance between anti-crisis measures and the achievement of medium - and long-term development goals of the country. The latter, in fact, is synonymous with structural modernization.

1.3.1. Anti-crisis and structural measures

Although the crisis of 2020 is not structural in nature, the structural problems that became acute in 2008-2009 have remained unresolved since then. Then came the global structural crisis, which was neutralized by an effective anti-crisis policy.

Problems and challenges that became clear during the Great Recession but have not been resolved include: persistently low growth rates, ineffective monetary regulation, unprecedentedly high public debt and budget deficits in several leading countries, the global trade crisis and growing inequality (with a deepening gap between income from property and income from labor). To this

1 See: *Cassim Ziyad, Borko Handjiski, Jųrg Schubert, and Yassir Zouaoui*. The $10 Trillion Rescue: How Governments Can Deliver Impact: Governments have announced the provision of trillions of dollars in crisis relief, but translating that into sustained recovery will not be easy. McKinsey. 2020, June.

list should be added climate challenges, which increasingly clearly affect both the economic and political agendas.

At the same time, the corona crisis has brought its own specifics to the structural reform agenda. Health care modernization is now at the center of the structural agenda of all countries, developed and developing alike. The economic, social and political role of health care has increased dramatically, which will influence policy discussions and budget priorities for a long time to come.

Another structural consequence of the pandemic has been a strong impetus in the development of digitalization. As has happened more than once in history, changes accumulated over the preceding approximately two decades, which then, under the influence of an external factor (might have been a war in the past, now a pandemic), lead to a qualitative leap. In 2020 alone, the introduction of digital technology has accelerated dramatically, which has become the most important factor (and driver) of structural modernization.

At the same time, while developing and implementing anti-crisis policy in a pandemic environment, some experts drew attention to the risks of repeating the experience of preserving firms at the cost of abandoning modernization. Indeed, large-scale anti-crisis programs can have long-term negative effects, and not only macroeconomic ones (high volume of public debt), but also structural ones, which include maintenance of zombie-companies.[1]

The combination of short-term (anti-crisis) and long-term measures is not an easy task from the point of view of its practical implementation. The former are designed to buy out social and political risks, which often contradicts the strategic objectives. “Creative destruction” is a beautiful term that accurately describes the role of economic crises and the essence of modernization tasks. However, in real life it creates difficulties whose solution is not always within the power of the political system. The economic and technological expediency of overcoming old forms does not translate directly into political expediency.

This was clearly visible in 2008-2010, and it was also visible in 2019. It was unclear how new institutions could be formed - the authorities mostly seemed to “buy out” the ability to preserve the old ones (paying for their ineffectiveness). New technologies were rapidly developing and even being implemented, but with the old forms and old institutional solutions preserved. This did not create a stable structure.[2]

1 See: Economist. Zombie dawn. Worries are growing about the long-term effects of the bail-out // The Economist. 2020,.September 19. URL: https://www.economist.com/europe/2020/09/16/germanys-bail-out-brings-worries-about-its-long-term-effects.

2 “But it is naive to believe that the authorities will simply let the wave of ‘creative destruction’ eliminate all the zombie companies, banks, and sovereign entities. They will be under intense political pressure to prevent the onset of a full-blown depression and deflation. And so the beginning of a new economic downturn will lead to nothing less than even more ‘crazy’ and unconventional policies than we have seen so far” (*Roubini N*. The Allure and Limits of Monetized Fiscal Deficits // Project Syndicate. 2019, October 28. URL: https://www.project-syndicate.org/commentary/limits-of-mmt-supply-shock-by-nouriel-roubini-2019-10?a_la=english&a_d=5db6dd5f72fd112ef8fccbc9&a_m=&a_a=click&a_s=&a_p=%2Fcolumnist%2Fnouriel-roubini&a_li=limits-of-mmt-supply-shock-by-nouriel-roubini-2019-10&a_pa=columnist-commentaries&a_ps=&a_ms=&a_r=&barrier=accesspay). This, by the way, largely explains the emergence of exotic concepts, which, for example, include “modern monetary theory” (MMT).

All this formed a very unhealthy growth model and an unhealthy growth theory. Growth remained stable for almost the whole decade, although it was achieved by fiscal pumping and super soft monetary policy. This growth model looked rather exotic. They tried to avoid discussing it with new words - *"new reality," "secular stagnation."* Or with the "modern monetary theory" that states that the national debt can be increased and monetized almost indefinitely, as long as it happens in the national currency.[1] However, this situation only increased doubts about the sustainability (and longevity) of such a model.

1.3.2. Budgetary stimulation and budgetary sustainability

Fiscal support of demand was initially seen as the most important tool of anti-crisis policy. Economists saw in this, as well as in monetary stimulus, the most important lesson of the Great Depression. The goal was to keep fiscal spending high, regardless of the level of public debt and budget deficits that had already been achieved, because that ensured socio-political and economic stability.[2] A relaxed attitude towards the national debt was also due to ultra-low interest rates that provided the state with very cheap financial resources.

This policy was also supported by international financial organizations, which in the past have always advocated strict fiscal discipline - at least with regard to developing countries. Of course, there can be no *right economic policy for all times* without regard to specific circumstances. But the turn of the macroeconomic mainstream in favor of financial activism was itself an important phenomenon of the economic and political debates of the 2010s.

As a result, global public debt grew by about *$9 trillion in 2020 to about 103% of global GDP*, a historic jump of more than 10 p.p. GDP in just one year.[3] And in advanced economies, public debt will increase by 20 p.p. over 2020 - from 104.2% to 124.1% of GDP.[4]

However, the support in principle for fiscal activism is accompanied by some important clarifications.

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1 K. Rogoff called MMT "modern money nonsense." (*Rogoff Kenneth*. Modern Monetary Nonsense // Project Syndicate. 2019, March 4. URL: https://www.project-syndicate.org/commentary/federal-reserve-modern-monetary-theory-dangers-by-kenneth-rogoff-2019-03?barrier=accesspaylog). See also: *Edwards Sebastian*. Modern Monetary Theory: Cautionary tales from Latin America. Cato Journal, 2019, Vol. 39, No. 3, pp. 529-561. URL: https://doi.org/10.36009/CJ.39.3.3; *Mankiw N. G.* A skeptic's guide to Modern Monetary Theory. AEA Papers and Proceedings. 2020, Vol. 110, pp. 141-144. URL: https://doi.org/10.1257/pandp.20201102.

2 Some experts demanded a massive financial injection without regard to future risks. "Governments have only one good solution: further aggressive fiscal stimulus, ideally in the form of targeted government spending that could stimulate private investment. Whatever the risks posed by rising public debt, they don't compare - especially in today's low-interest-rate environment - with the long-term economic problems that countries will face without these stimulus measures" (*Prasad Eswar*. Don't Overestimate the COVID-19 Recovery // Project Syndicate, 2020. URL: https://www.project-syndicate.org/commentary/weak-and-uneven-global-covid19-recovery-by-eswar-prasad-2020-10?barrier=accesspay).

3 IMF Fiscal Monitor, January 2021. URL: https://www.imf.org/en/Publications/FM.

4 *Villegas A., Faiola A. and Wroughton L.* As spending climbs and revenue falls, the coronavirus forces a global reckoning. 2021, January 10. URL: https://www.washingtonpost.com/world/2021/01/10/coronavirus-pandemic-debt-crisis/?arc404=true&fbclid=IwAR3L6FeFimb29W-cqYqaBXVLVxP3Y_x0hxyD7NDWGtDOMVHErrirTWxQyBg.

First, it is important to ensure not only the growth of the economy, but also the quality of growth. Therefore, financial injections should be accompanied by institutional and structural reforms, which should be carried out as much as possible in conditions of relative economic stability. As C. Lagarde, then head of the IMF, remarked, "The time to repair the roof is when the sun is shining."[1]

Second, budgetary injections cannot be unlimited. It should always be remembered that debts will have to be paid sooner or later. K. Georgieva, who headed the IMF in 2019, reminds politicians: "When you spend money, keep your receipts. In 2020, K. Reinhart, Chief Economist of the World Bank, spoke about the same thing, drawing a direct analogy with the wartime economy.[2]

Thirdly, it is necessary to see the difference between the support that developed countries (especially those whose currency is a reserve currency) can afford and developing countries with limited foreign currency reserves and weak credit histories.[3]

Sovereign debt accumulation poses grave risks in the future, and this also applies to developed nations. The price for maintaining acceptable growth rates today (or for slowing the decline) could be a drag on future growth. Although, admittedly, in the political process, the burdens and risks of today are much more important (and dangerous) than the problems and risks of the future, which others will have to deal with.

The key problem is that the debt burden will significantly limit the ability of governments to address modernization in those sectors that require an active role of the state - infrastructure and human capital development. Monetization of public debt is possible to mitigate the debt crisis, but it will accelerate inflation beyond the targets. Finally, the way out of the debt trap is possible through higher taxes, but this path also leads to a brake. "There is not the slightest chance that the huge debts accumulated during the current crisis will be paid off quickly. Even after raising taxes on the rich (a measure that will face strong opposition and arguments against growth-stifling fiscal austerity policies), a large share of the debt accumulation will have to be passed on to future generations."[4]

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1 *Lagarde Christine*. A Time to Repair the Roof. A Speech by IMF Managing Director. Harvard University. 2017. October 5. URL: https://www.imf.org/en/News/Articles/2017/10/04/sp100517-a-time-to-repair-the-roof

2 "If there is a war, one must concentrate first of all on how to win, and only secondarily on how to pay one's debts. The experience of both world wars shows this. I think this analogy is quite apt here. You have to do what will ensure victory" (*Reinhart Carmen*. If It's Not Over on the Disease ... It's Not Over on the Balance Sheet // The Harvard Gazette. 2020. May 20. URL: https://news.harvard.edu/gazette/story/2020/05/carmen-reinhart-named-chief-economist-at-the-world-bank/#:~:text="First%20and%20foremost%2C%20when%20you,debt%2C"%20said%20Carmen%20Reinhart)

3 "Much of what governments do in a pandemic is fine for developed economies, but dangerous elsewhere. Even if developing countries were simply to borrow money and spend it to weather the economic storm, their long-term prospects would be severely impaired." See *Spence Michael, Leipziger Danny*. The Pandemic Public-Debt Dilemma. 2020, December 8. URL: https://www.project-syndicate.org/commentary/pandemic-spending-debt-dilemma-by-michael-spence-and-danny-leipziger-2020-12?barrier=accesspay)

4 *Rajan Raghuram G*. 2020. Should Governments Spend Away? // Project Syndicate. August 3. URL: https://www.project-syndicate.org/commentary/government-spending-debt-burden-on-future-generations-by-raghuram-rajan-2020-08?barrier=accesspay.

In short, building long-term and sustainable debt ultimately traps the state in either severely limiting its role in structural modernization or allowing an inflationary spike. Both options have negative consequences for long-term economic growth and consequently welfare growth.

At the outset of the pandemic, there was a widespread belief among experts that it was advisable to allocate about 10% of GDP to mitigate the crisis. Summing up the results of 2020, it should be noted that there is no convincing correlation between the volume of budget support and economic dynamics (*Table 1*). Against this background, the restrained budget policy of the Russian government looks quite effective, especially compared with most other developed countries.

Table 1

Fiscal anti-crisis measures and GDP dynamics in 2020

Country	Fiscal anti-crisis measures, % GDP	Change in real GDP in 2020, % for year
Germany	39,1	-5,4
Italy	37,9	-9,2
Japan	35	-5,1
UK	30,2	-10,0
New Zealand	23,6	-6,1
France	22,6	-9,0
USA	18,6	-3,4
Spain	18	-11,1
Canada	16,8	-5,5
Australia	15,8	-2,9
Denmark	14,9	-3,9
South Korea	13,8	-1,1
Norway	11,4	-3,5
Sweden	10,6	-3,4
Finland	9,6	-4,3
Netherlands	8,9	-4,1
Brazil	14,7	-4,5
Turkey	13,8	1,2
Chile	10,7	-6,0
South Africa	9,6	-7,5
India	7	-8,0
Argentina	6	-10,4
China	5,9	2,3
Russia	**4,6**	**-3,1**
Indonesia	3,9	-1,9
Saudi Arabia	3,2	-3,9
Mexico	1,1	-8,5

Source: Volume of Support - IMF (URL: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19); Fiscal Monitor // IMF. - Oct. 2020. (URL: https://www.imf.org/en/Publications/FM/Issues/2020/09/30/october-2020-fiscal-monitor), Russia - RAS-HIGS estimate. Real GDP Change - IMF World Economic Outlook Update, January 2021: Policy Support and Vaccines Expected to Lift Activity (imf.org); European Commission Autumn 2020 Economic Forecast (europa.eu), Russia - first annual Rosstat estimate (dated February 1, 2021).

1.3.3. Monetary policy – opportunities and risks

Monetary stimulus remained an important tool of anti-crisis policy in 2020, although its possibilities in conditions of extremely low inflation in most developed countries were very limited. In contrast, in Russia, with its higher (4% target) inflation rate, the room for easing monetary policy was much greater. However, given the long period of high inflation over the past 30 years, the Russian monetary authorities tended to tighten monetary policy at the onset of a crisis. The year 2020 saw a radical change in the model: for the first time, the Bank of Russia switched to a countercyclical policy, i.e. it began to reduce the interest rate against the backdrop of the crisis - and continued to reduce it throughout the year. This was an important indicator of the normalization of monetary and fiscal policy.

The common challenge in most developed and some developing economies has been to keep inflation exceptionally low, with the risk of turning into deflation, despite ultra-soft monetary policy.[1]

At the same time, in 2020, economists (but not politicians) began to raise the question of the prospects of an inflation surge and even of stagflation. The latter could naturally follow from the resumption of a supply shock.[2] A number of researchers have pointed to structural and demographic problems that could lead to a prolonged period of stagflation.[3]

The role and priorities of central banks are becoming increasingly important as they discuss the prospects and possibilities of monetary policy against the backdrop of the pandemic. It is possible to distinguish several lines of discussion.

First, there is a growing consensus among politicians that it would be wise to reject the idea that central banks should be independent. The reasons for such a turnaround are beyond the scope of this paper. At the same time it is worth mentioning that throughout the history of existence of national monetary regulators their functions and role were periodically revised in line with changes in monetary systems and technologies of monetary circulation.

Second, there are growing proposals in developed countries to expand the mandate of central banks beyond price stability, economic growth and

1 "Economists rarely agree with each other, but almost everyone now argues that inflation is dead. Recognition of low inflation is now the basis for economic policy and financial market decisions. That is why central banks are lowering interest rates to near zero and buying government debt en masse. This explains the ability of governments to borrow and spend huge sums to save the economy from collapse in a pandemic" (Economist. Will inflation return? // The Economist. 2020, December 12-18. URL: https://www.economist.com/weeklyedition/2020-12-12).

2 Ibid.

3 *Ch. Goodhart and M. Pradhan* in their book The Great Demographic Reversal see the prospective risk not in secular stagnation, about which much has been written during the last decade, but in secular stagflation. This prediction is based on the observed aging of the population in developed countries and the assumption of a non-increase in the retirement age. "In addition to long-term stagnation ... the world economy will face long-term stagflation, as economic growth and productivity growth will be much slower than in the past, while prices will rise faster. This means that living standards will rise very slowly, if at all, and for many they will be eroded by inflation. The Great Demographic Reversal: Ageing Societies, Waning Inequality, and an Inflation Revival. L.: *Palgrave Macmillan; Coyle Diane*. 2020. Why economics needs to wake up to aging populations. Financial Times. December 2. URL: https://www.ft.com/content/fcbccad8-491e-4f5b-a859-6622bc368e5c).

employment. It is now expected that central banks should consider the impact of their decisions on the climate agenda and equality (social, racial, gender).[1] In fact, it is a revision of the principles established after the crisis of the 1970s.

In this context, the problem of social inequality takes on a special meaning. The massive injections of money of the last decade have not led to consumer price inflation, but have caused the rapid growth of stock markets, i.e., asset inflation. The gap between property income (which was growing) and labor income (which was stagnating) was widening. Thus, soft monetary policy led, among other things, to an increase in populism and political and social destabilization.

Third, after several years of skepticism toward cryptocurrency, central banks turned to discussing the prospects of issuing their own e-money.[2] E-money is no longer associated with private money (cryptocurrencies) as an alternative to state money, but with fiat money, which is opposed to money issued by commercial banks and transactions with which do not require mediation by commercial banks, thereby undermining the business of the latter. This is a completely new kind of competition on the money market, and, apparently, its course will largely determine the contours of the post-crisis monetary system of developed countries.

1.3.4. The economic role of the state

The great recession of 2008-2009 marked the beginning of a trend towards an increased (or revived) role of the state in regulating the economy. This was a turn from the "cheap state" model, which was established as a result of the crisis of industrial society and Keynesian regulation. *A new stage of technological development objectively required a stronger regulatory role of the state*.[3] The pandemic of 2020 contributed to a significant strengthening of these trends, thus becoming not an accidental episode, but an important milestone in the formation of a new institutional model.[4] It remains to be seen in what forms this principle

1 At present, the Fed's mandate for adapting to new challenges is broader than that of the ECB. The latter is more focused on price stability, which is largely determined by the position of the FRG and especially its Constitutional Court, which relies on the traditions of conservative monetary policy formed after two hyperinflation in Germany in the twentieth century (see *Gerlach Stefan*. 2020. A Decisive Moment for Central Banks // Project Syndicate. September 15. URL: https://www.project-syndicate.org/commentary/central-banks-response-to-public-opinion-on-inequality-environment-by-stefan-gerlach-2020-09/russian?barrier=accesspaylog).

2 On October 13, 2020, The Bank of Russia issued a document "The Digital Ruble. Report for Public Consultations," in which it thoroughly formulated its approaches to understanding the role of the digital ruble in monetary circulation, possibilities of its application, its role in solving monetary policy tasks, etc. (Bank of Russia. 2020. Digital Ruble. Report for public consultations. October 13. URL: https://cbr.ru/StaticHtml/File/112957/Consultation_Paper_201013.pdf).

3 "It is increasingly likely that COVID-19 will mark the exhaustion of the model of growth formed four decades ago by the Reagan-Thatcher revolution, China's move toward socialism, and the collapse of the Soviet Union. The pandemic has exposed humanity's vulnerability and exacerbated the need for urgent climate action… The years ahead will be difficult." (*Pisani-Ferry Jean*. 2020. The Challenges of the Post-Pandemic Agenda. July 27. URL: https://www.project-syndicate.org/commentary/harsh-uncertain-economic-transition-after-covid19-by-jean-pisani-ferry-2020-07?barrier=accesspaylog).

4 "If the pandemic turns out to be only a temporary setback, then it will be remembered as a tragic but still isolated episode. But if the crisis of 2020 leads to a profound rethinking of the relationship between government and society, then this terrible year will prove to be a turning point and not just a calendar date." See: *Palacio Ana*. COVID and the Comeback State // Project

will be implemented in the foreseeable future. However, it is unlikely to be a return to the classical forms of the "big state" of the mid-20th century.

It is impossible not to pay attention to the fact that the increasing role of the state is fixed even by those who in the past were adherents of the liberal system. "Understanding the importance of decisive state action to stop the pandemic, it would be difficult now to follow Reagan ... to argue that 'government does not solve our problems, but government is precisely our problem.' And no one can give a convincing example that the private sector or charity can replace a competent state in a national emergency," writes Fukuyama,[1] who in 1989 saw "the end of history" in the triumph of the liberal model.[2]

However, two groups of questions naturally arise here. First, it is necessary to specify what the role of the state in the economy should be. Second, the question of the efficiency of the state, the quality of public administration, and which political systems will be more effective in principle and in confronting economic and non-economic (pandemic) crises in particular.

The currently observed strengthening of the role of the state in the economy is associated with a sharp increase in the uncertainty of technological and, consequently, socioeconomic dynamics, and in a short time perspective. Unlike modern economic growth of 19th-20th centuries, the qualitative changes in technologies and conditions of life occur not from generation to generation, but within a single generation, which leads to general instability in the development of society. This instability should be compensated by the state.

Thus, the current increase of the role of the state has preconditions that are directly opposite from those that led to the formation of etatist model in the first half of the twentieth century. At that time the strengthening of state intervention in economy was caused by the rapid development of large economic forms (industrial giants), which led to simplification of economic structure and possibilities to control everything from a single center. The centralization of production made the centralization of regulation *possible*. This made it possible for the etatist model to spread. The solution of problems of catching-up industrialization, which required redistribution of resources in favor of advanced industries, made centralization and governmentalization *necessary*.

In the modern world the situation is essentially different - extreme uncertainty of technological development and technological priorities leads to increased risks when implementing investments (especially long ones) and innovations. At the same time, it is possible to ascertain that division on advanced and backward branches is replaced by division on advanced and backward technologies, and in each branch there can be both the first and the second. As it was mentioned,

Syndicate. 2020, December 29. URL: https://www.project-syndicate.org/commentary/covid19-pandemic-transforms-role-of-the-state-by-ana-palacio-2020-12.

1 *Fukuyama Francis*. The Pandemic and Political Order. It Takes a State // Foreign Affairs. 2020, July-August. URL: https://www.foreignaffairs.com/articles/world/2020-06-09/pandemic-and-political-order?utm_medium=newsletters&utm_source=fatoday&utm_campaign=The%20Pandemic%20and%20Political%20Order&utm_content=20200609&utm_term=FA%20Today%20-%20112017

2 *Fukuyama Francis*. The End of History? // National Interest. Summer. 1989.

technological uncertainty leads to uncertainty of social and political and increases the risks of destabilization. The state should take on itself to reduce these risks.

The modern state must, first of all, address two groups of problems:

- first, by maintaining investment activity. The last decade is characterized by a decline in interest in private investments, which is manifested in the lower share of investments in GDP compared with the share of savings, characteristic for many countries. This is not a typical Russian phenomenon and not a consequence of a poor investment climate. The problem is deeper, it is connected with a high level of technological uncertainty, which increases the riskiness of investments, and also with a low level of inflation, which determines the "preference of liquidity" in relation to risk;
- second, the growth of inequality fixed by many researchers, especially as a result of the growing gap between income from property and income from work. This, in turn, leads to an increase in populism and political instability, which requires the state to rethink its socioeconomic objectives.

Under conditions of low investment propensity, the state should assume the function of "*investor of last resort*,"[1] similar to the way the central bank is viewed as "*lender of last resort*." Unlike the etatist models of the past, this function of the state does not involve siphoning off funds from private investors in favor of bureaucratic projects. Now there is weak interest (propensity) for private investment, and therefore the state can and should compensate for this failure[2]. In essence, we can talk about a return to a model close to classical Keynesianism: only now the idea is that the state should influence not demand as such, but investment, while the private sector should follow the state.

The argument that more efficient private investment is replaced by less efficient public investment is not correct here, because the former are simply at

1 See: *Sjögren Hans & Martin Jes Iversen*. 2018. The State as the Investor of Last Resort: a comparative study of banking crises in Denmark and Sweden // Scandinavian Economic History Review. URL: http://www.tandfonline.com/loi/sehr20; *Caballero Diego, André Lucas, Bernd Schwaab and Xin Zhang*. Risk en-dogeneity at the lender/investor-of-lastresort. BIS Working Papers No 766, 2019. True, some researchers interpret this role of the state as an "investor of first instance," which, however, does not change the substance of the issue: "The COVID-19 crisis and recession create a unique opportunity to rethink the role of the state, and especially its relationship with business. The previously prevailing thesis of the state as a burden in a market economy has been debunked. The prerequisite for effective governance in the post-coveted era must be the re-emergence of the state as "investor of last resort" and not only "creditor of last resort" (*Mazzucato Mariana, Andreoni Antonio*. No More Free-Lunch Bailouts // Project Syndicate. June 25, 2020. URL: https://www.project-syndicate.org/commentary/conditional-bailouts-of-private-companies-2020-crisis-by-mariana-mazzucato-and-antonio-andreoni-2020-06?barrier=accesspay).

2 In 2020 a new expectation arose from the state - to be the insurer of last resort. This term, however, does not refer to the performance of commercial insurance functions, but to the state's willingness and ability to come to the rescue in dire circumstances. "Walter Bagehot, one of the earliest editors of The Economist, urged states and central banks to be lenders of last resort. In a crisis of such magnitude as this, governments must also play the role of insurer of last resort. No private entity can simultaneously provide and finance the necessary health measures, support workers sent on unpaid leave, give money to firms to save jobs, make emergency payments to vulnerable families. Only the state can do that." Are We All Keynesians Again? 2020. August 25. URL: https://www.project-syndicate.org/commentary/states-must-be-insurer-of-last-resort-against-aggregate-risks-by-andres-velasco-2020-08?barrier=accesspay.

a low level. And the choice is really not between public and private investments, but between availability of investments and their absence.

Speaking about the priority directions of public investments, it is obvious that these are the sectors that increase the aggregate factor productivity. First of all, this refers to investments in human capital and infrastructure (transport and digital). The quality of public administration itself is no less important.

The question remains open to what extent these processes should be accompanied by an increase in taxation and the budgetary burden in GDP. There is not enough empirical material to answer it yet. We can assume that solving the government's investment tasks would be more effective through the mechanisms of targeted borrowing, rather than increasing the tax burden. The more so because targeted borrowings are quite compatible with the principle of a balanced state budget.[1]

At the same time, economists often share the traditional view on the role of the government in the economy, which implies abandoning laissez-faire once again and going back to the old dogmas of "industrial policy," which is seen as a source of both innovation and monetary stability.[2]

A victim of changing attitudes to the role of the state in 2020 was the well-known and popular Doing Business index, which was sharply criticized from within the World Bank, which compiled it. The index has been developed since 2003, and originally its methodology was based on the premise that economic freedoms and deregulation are the foundation and condition of a favorable business climate. The revision of economic policy dogmas towards etatism led to criticism that its authors were too ideological and supported right-wing (i.e., free market supporters) governments, thus disorienting developing countries and forcing them to reduce state intervention in the economy. In the logic of new statism and from a political point of view, this criticism is certainly valid: the index was developed under the conditions of the traditional late 20th century paradigm of deregulation and economic liberalism, i.e. a favorable business climate was equated with reducing the state burden on the economy. Now the mainstream has changed - state regulation and confidence that it can be effective are in vogue.[3]

1 *Frieden Jeffrey*. Lessons for the Euro from Early American Monetary and Financial History. Brussels: Bruegel, 2016.

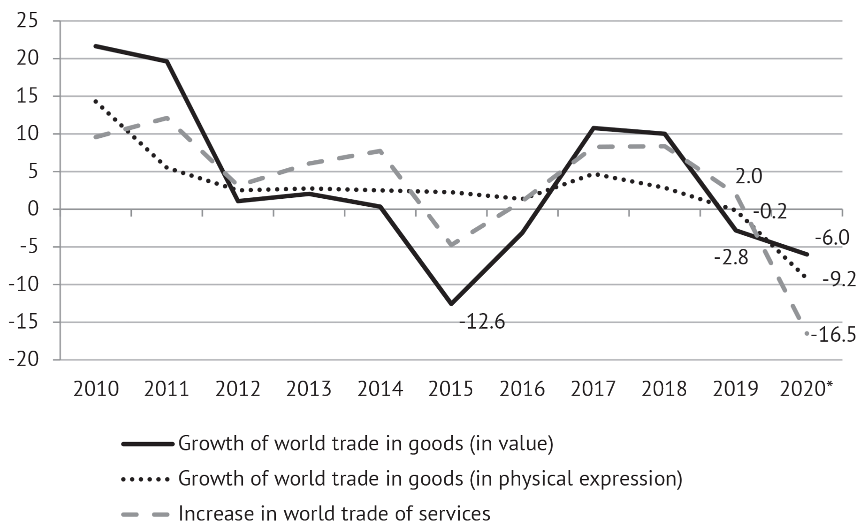
2 *Krugman Paul*. Was the Year Reaganism Died // The New York Times. December 28. URL: https://www.nytimes.com/2020/12/28/opinion/reagan-economy-covid.html; *Vives Xavier*. A Stable Euro Requires an Ambitious Industrial Policy // Project Syndicate. 2020. September 4. URL: https://www.project-syndicate.org/commentary/european-industrial-policy-to-guide-recovery-fund-by-xavier-vives-2020-09?utm_source=Project+Syndicate+Newsletter&utm_campaign=7b97cc5224-covid_newsletter_09_10_2020&utm_medium=email&utm_term=0_73bad5b7d8-7b97cc5224-104946393&mc_cid=7b97cc5224&mc_eid=b7e0b2bcd3

3 "Doing Business is fundamentally based on the principle of deregulation: the less government intervention in a country, the higher the index. Including the level of taxation in the index is so unacceptable that two independent World Bank evaluation commissions have proposed that it be abandoned. Moreover, the index focuses only on ease of doing business and on reducing regulatory burdens on companies. The index ignores the positive aspects of regulation and its own ability to improve the business environment." See *Ghosh Jayati*. Stop Doing Business. 2020, September 10. URL: https://www.project-syndicate.org/commentary/world-bank-should-scrap-doing-business-index-by-jayati-ghosh-2020-09?utm_source=Project+Syndicate+Newsle

However, drawing attention to the turn to the "big state" model, many economists, having learned from the experience of stagflation in the 1970s or post-communist transformation, warn against misuse of monetary injections as potential sources of systemic (macroeconomic) disorganization. Here is the important point that Keynesianism does not imply monetary irresponsibility. "It has become a commonplace of our times to say that after COVID-19, Milton Friedman will have to give way to John Maynard Keynes. But even agreeing with the thesis attributed to Richard Nixon that 'we are all Keynesians now,' it must be remembered that Keynes' teachings require that fiscal policy be tightened in good times, and only then can it become expansionary in times of crisis."[1]

1.3.5. Rethinking globalization

Globalization is an organic element of modern economic growth, one of its most important characteristics. However, this does not mean that the forms and themes of globalization are invariable. There are periods of rapid acceleration,



* Preliminary estimates / predictions

Fig. 1. Dynamics of international trade in 2010-2020, %

Source: WTO Data.URL: http://data.wto.org/en); Trade shows signs of rebound from COVID-19, recovery still uncertain. WTO Press release, 6 October 2020. URL: https://www.wto.org/english/news_e/pres20_e/ pr862_e.htm; UNCTAD Global Trade Update, February 2021. URL: https://unctad.org/system/files/official-document/ditcinf2021d1_en.pdf.

tter&utm_campaign=d57658f7c7-sunday_newsletter_13_09_2020&utm_medium=email&utm_term=0_73bad5b7d8-d57658f7c7-104946393&mc_cid=d57658f7c7&mc_eid=b7e0b2bcd3.

1 *Velasco Andres*. Are We All Keynesians Again? // Project Syndicate. 2020, August 25. URL: https://www.project-syndicate.org/commentary/states-must-be-insurer-of-last-resort-against-aggregate-risks-by-andres-velasco-2020-08?barrier=accesspay.

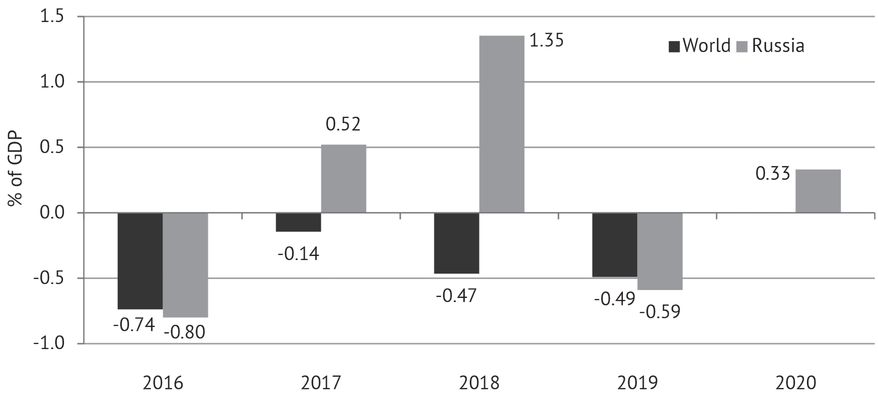


Fig. 2. Foreign Direct Investment (balance of inflows and outflows), % of GDP

Source: WDI World Bank, UNCTAD Investment Trends Monitor, Bank of Russia

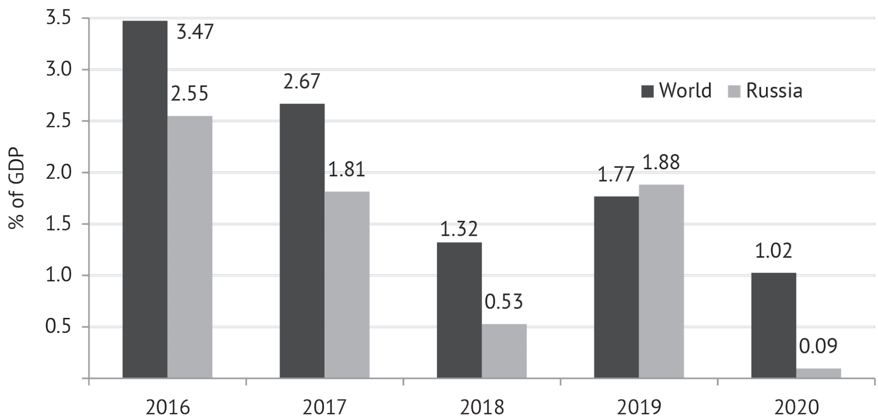


Fig. 3. Foreign Direct Investment Inflows, % of GDP

Source: WDI World Bank; CTAD Investment Trends Monitor; Bank of Russia.

as well as periods of inhibition. Globalization can encompass the whole world as a single entity, or it can develop through regional or other unions, free trade zones, etc. The general trend toward globalization does not cancel the periods of protectionism, which is not limited to bans and customs duties, for example, ecological requirements and currency management are much more effective (and politically acceptable) forms of market protection in the modern world. This category also includes sanctions, which in our eyes have become not only a political tool, but above all the most important instrument for solving economic problems.

Over the past decade, globalization has clearly slowed down, which was evident in the dynamics of world trade and foreign direct investment (*Fig. 1–3*).

The previous period of very rapid growth of these parameters led to the accumulation of serious contradictions (economic, social, political), which in turn necessitated a period of consolidation. The situation was exacerbated by the growing political rivalry between the U.S. and China, which quickly led to conflicts on the "economic front," balancing on the brink of a trade war or sometimes even crossing that brink.[1]

The coronavirus pandemic has created tough new barriers to globalization: the closure of production facilities and the closure of the borders of leading countries and economic groupings have led to the rupture of the usual economic ties, value chains, and strained relations between traditional partners. An example of the latter in 2020-2021 can be the "coal confrontation" between China and Australia, which, however, has become an important factor in the growth of Russian coal exports.

The pandemic has had an impact on the development of globalization, which can be traced in the following main directions.

First, direct restrictions on the movement of goods, services and people in accordance with sanitary and epidemiological requirements. This is the most severe and, presumably, short-term impact. But the second circumstance follows from this fact.

Second, trade gaps have forced governments and experts to rethink the acceptable level of openness of their economies. The result of 2020 was that the governments of developed and leading developing countries began to take measures to strengthen self-sufficiency in a number of critical positions, independence from foreign markets. Of course, we are not talking about the transition to autarky, but the willingness to pay for market efficiency with economic (and, consequently, political) security is clearly decreasing.

Third, there is a growing interest in ensuring openness within the framework of narrower (non-global) economic partnerships – common markets, free trade zones. And at the same time, traditional regional groupings are going through a crisis, which may lead their members to renewal, or may end in collapse. The most striking example of the latter is the situation with the EU, and the problem is not only in Brexit, which was formally completed at the turn of 2020-2021. A serious challenge was the pandemic, the fight against which did not become a common European matter and raised the question of the need to have certain reserves of production within national borders, without fully relying on common European solidarity.

Fourth, there has been increased attention to the prospects for regional globalization, i.e., the formation of alliances of individual countries to solve various economic problems. This trend is likely to increase in the foreseeable future.

Of course, all these trends are not unambiguous and rigid. The extent to which the centrifugal forces will be significant or even irreversible depends largely on the duration of the pandemic. In 2020, there was not only a tendency to disintegrate. The EU countries have taken a major step towards the formation

1 See more: *Roach Stephen*. 2019. Unbalanced. The Co-dependence of America and China. Moscow: Gaidar Institute Publishing House, 2019.

of a single financial system by agreeing to form a single fund, the funds of which are formed as obligations of all member states, which the largest and richest EU countries have so far categorically refused.[1]

All these approaches are reflected in the expert community, where the division has increased between critics of globalization and those who link overcoming the crisis (both non-economic and economic) with the deepening of world trade and the development of integration processes. "International trade is at the heart of global peace and stability, giving everyone a share in the common global system. Creating such a system requires more than just the removal of duties, administrative barriers, and national regulation measures that hinder the movement of basic consumer products, industrial goods, and-especially – technology. The nations of the world must understand that either we all win (and people everywhere get access to the tools they need to improve their standard of living, industrial development, and innovation), or we will all be worse off."[2]

However, economists and politicians are still far from understanding the future contours of globalization. So far, it is mostly clear which of its features are socially or politically dangerous and therefore need to be adjusted. It is also clear that the globalization of the Internet and artificial intelligence era should be radically different from the globalization of the "coal and steel" era. "Any global order must balance the benefits of trade (maximum when regulation is harmonized) with the benefits of regulatory differences (maximum when each national government is absolutely free to do whatever it wants). One of the reasons for the fragility of hyperglobalization that has now emerged is that the authorities have made it their priority to benefit from foreign trade rather than from regulatory differences. In the case of new technologies, this mistake cannot be repeated."[3]

* * *

We have only outlined the long-term challenges that the pandemic has posed to economists and policy makers. Of course, this is only a preliminary analysis. More detailed conclusions can be drawn after the end of the pandemic and the resulting economic crisis. Although the current crisis itself is neither cyclical nor structural, most of the problems posed by the global structural crisis of 2008-2009 remain unresolved. This means that we will have to return to them again and again until they are resolved.

1 "If you think about the long term, the European Commission's bond auction was good news for the ECB, which will benefit from the important side effect associated with the return of strong fiscal policy. Providing loans from the EU's Next Generation fund to debt-ridden union countries will take some of the pressure off the ECB after years of monetary policy doing all the hard work." See *Krauss Melvyn*. Europe's Faustian Bargain // Project Syndicate. 2020, November 23. URL: https://www.project-syndicate.org/commentary/eu-recovery-fund-german-italian-solidarity-by-melvyn-krauss-2020-11?barrier=accesspaylog

2 *Fung Victor K*. The Trade Cure for the Global Economy. // Project Syndicate. 2020, April 22. URL: https://www.project-syndicate.org/commentary/covid19-crisis-revive-multilateralism-open-trade-by-victor-k-fung-2020-04?barrier=accesspaylog

3 *Rodrik Danny*. The Coming Global Technology Fracture // Project Syndicate. 2020, August 8.