

OP-ED

How the Pandemic Is Turning Us Inward

Ruchir Sharma

A CRISIS as life-altering as the coronavirus pandemic naturally inspires speculation about how it will change everything. But it is worth recalling that a far deadlier predecessor, the Spanish Flu, killed 50 million to 100 million people between 1918 and 1920, and was followed by the Roaring '20s. So did it change anything?

Possibly it simply accelerated trends that were already underway. And the same may be true today. The coronavirus hit at a time when the world was already turning inward, largely in reaction to the global financial crisis of 2008. Nations have been erecting barriers to the free flow of people, money and goods, even as the flow of internet data has continued to rise rapidly.

There is evidence that all these trends are now speeding up, particularly in countries led by populists, who are exploiting the pandemic to erect barriers that they wanted to raise anyway. And as lockdowns force people to work, shop, study and play at home, internet traffic has spiked 50 to 70 percent in developed nations — creating new habits that to varying degrees could outlast the pandemic.

The era after the coronavirus is thus likely to feel much like the era after the crisis of 2008, but with its inward tendencies magnified: populist leaders more emboldened to bash foreigners; nations less willing to expose themselves to trade, global banks and migration; national economies more reliant on local industries; people retreating to the safety of home to pursue employment, education and entertainment in the immersive world of the online economy.

Global trade was growing more than twice as fast as the world economy before 2008, but has barely kept pace in recent years, and now all bets are off. Global trade is projected to fall around 15 percent in 2020 — at least three times the expected fall in economic output — and recovery could be dampened by divisive trade politics.

President Trump has ratcheted up his anti-trade and anti-China statements, saying "I'm not sure which is worse," the World Health Organization or the World Trade Organization, both of which he accuses of favoring China.

The big difference now is that anti-China talk is growing more strident and common in many nations, including Britain, France, India, Brazil, Italy and Japan. And anti-trade talk is coming even from one of the last high profile champions of globalization, President Emmanuel Macron of France. "Delegating our food supply" to others "is madness. We have to take back control," he warned in March.

Many nations are engaging in a form of food nationalism. France, Spain and Italy were among the countries pushing the European Union to protect their farmers before the pandemic, and they are pushing harder now. Russia, the world's largest wheat exporter, has imposed quotas on grain exports. Vietnam, one of the largest rice producers, suspended rice exports. More than 60 nations have limited or banned exports of face masks, gloves and other personal protective equipment, leaving many poor nations that don't manufacture this gear naked in the face of the pandemic.

Democracy was in retreat, and autocrats were on the march, before the virus appeared. To contain it, leaders of all political styles have assumed previously unthinkable powers to shut down the economy, steer production, close borders, and place businesses on life support. Even the most liberal societies have gladly ceded these powers, in the spirit of wartime mobilization. But precedents are being set, red lines have been erased. The big risk is that leaders with autocratic tendencies will come out of the pandemic with greater leverage to control and close off societies, including democratic societies.

The universalist spirit of globalization was fading be-

fore the pandemic, and is harder to find now. Investors once entranced by the prospect of making fortunes in the emerging world have been scaling back since the global financial crisis, but the retreat accelerated in the first three months this year, when more than \$90 billion pulled out of emerging stock markets.

The deglobalization of finance is reaching deeper into debt markets too. After 1980, a combination of falling interest rates and financial deregulation set off a global explosion in lending which — by the eve of the 2008 crisis — had tripled the world's debt burden to three times global economic output. The credit meltdown that year hit banks and households particularly hard and left them with a generalized fear of taking on new debt.

Now, economic lockdowns are cutting off the cash flow of heavily indebted companies from the United States to Europe and Asia, threatening to drive them into bankruptcy, and to burden many of them with a severe case of debtphobia as well. That will leave only one important class of borrowers — governments — with the confidence

cases will mean out of China. If nationalists have their way — Mr. Trump has cited the pandemic as yet another reason to bring manufacturing back to the United States — factories will be returning to their home countries. Japan is offering \$2 billion to companies relocating out of China as part of its coronavirus stimulus package.

The pandemic arrived like a propaganda gift from nature to populists who want to contain all things "global," from migration to the internet. In recent years, China has led the way in creating a national internet, sealed off from the wider web, but Russia, Indonesia and others are following its lead. The European Centre for International Political Economy tracks a growing thicket of internet bans, rules and subsidies, including measures that attempt to ensure that data is stored locally, and is difficult to transfer overseas. In the 2010s the number of "data localization" rules doubled worldwide to more than 80.

To an extent, these rules have begun to steer internet traffic into national channels, but without slowing the growth in overall volume. The boom in traffic over the last two months, however, has greatly accelerated the shift to an online economy.

Social media platforms are reporting record usage, particularly in hard-hit countries where the internet is now a lifeline for information on the pandemic. The number of active users of Google Classroom has doubled to more than 100 million since early March.

Sector and Sovereign Research, a research firm, estimates that of roughly 40 million Americans who hold desk jobs, the number who work remotely has tripled since January to nearly 25 million from eight million — and forecasts that roughly three million of these new online desk jockeys will stay home after the pandemic passes. Video conferencing providers are straining to handle the volume of participants — up from 10 million to more than 300 million a day on Zoom, for example — and have become hangout spots for friends and family as well.

The most intriguing possibilities, however, are in digital gaming, because its ambition goes way beyond games.

Even before this year, the rise of online games had turned gaming into a \$150 billion global industry, still growing fast, and already larger than the stagnating global music industry and box office combined. Then came the lockdowns.

Verizon reports data volumes surging across the board, but especially for digital games, up 75 percent in March. In the first week of April, U.S. consumer spending on video games was up 95 percent, compared to the same week the year before, while spending in movie theaters was down 99 percent.

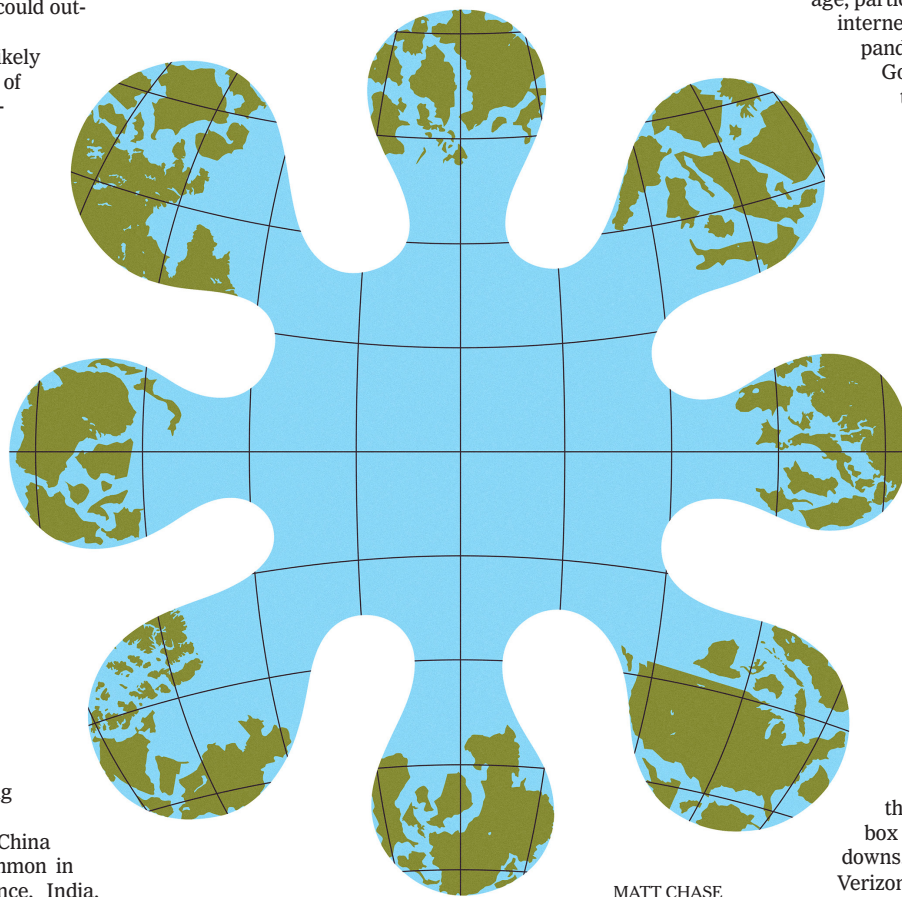
The strength of the world economy in the coming years depends in part on which of these teams wins the all-out contest for global domination: risk-taking gamers, or barrier-building populists.

Though the rise of the virtual economy is also a turn inward, toward the lone worker safe at home in front of a screen, its fresh focus on efficiency and creativity could lift productivity in the coming years and ease the global slowdown.

The global economy recovered slowly after the crisis of 2008, owing in large part to deglobalization, and now even slower flows of people, money and goods threaten more of the same — less competition and investment.

The pandemic is in effect telescoping the future. Trends that might have taken five or 10 years to play out have unfolded in only five to 10 weeks, and all point in the same direction. To a world turning further inward.

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MATT CHASE

It is accelerating trends that were already underway.

to take on new debt, if only because they can print money to cover the payments. The debt "super cycle" that helped supercharge global economic growth between 1980 and 2008 is lurching to a halt, one frightened class of borrowers at a time.

The retreat inward has inspired many nations to rethink supply lines that now wrap around the world and lead, most often, to factories in China. Driven originally by rising wages in China, later by rising concern about the uncertainties of doing business there, this retrenchment has been underway for years. At its 2007 peak China was the assembly plant of the world, generating nearly one fifth of its economic output by assembling parts made elsewhere into finished products, but that share had fallen to less than one-tenth by the time the coronavirus hit.

A recent survey covering 12 global industries found that companies in 10 of them, including autos, semiconductors and medical equipment, are moving or planning to move at least part of their supply chains, which in most

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