After the Immediate Coronavirus Crisis: 3 Scenarios for Global Development

David Hulme and Rory Horner
University of Manchester

Abstract

Rather than make predictions, we outline three scenarios for how the world might look once the initial phase of the immediate Covid-19 crisis has passed.

- An ugly scenario of global meltdown
- A bad scenario of a return to the pre-Covid-19 state of climate breakdown and considerable inequality
- A good scenario of a transition towards global sustainable development

We emphasise that a considerable challenge is present to increase the likelihood of the third, and most desirable, scenario prevailing.

Policy Recommendations

- Now is the time to think about the future of global development
- Returning to the bad scenario is possible, but the challenge is to ‘not waste the crisis’ and aim for transformation in economic, social and political institutions and norms
- Good global development requires commitments to greater domestic inclusion, as well as stronger international cooperation not just in health, but also related to climate change and addressing global inequality.
Introduction

David Hulme and Rory Horner outline three scenarios – the good, the bad and the ugly - for how the world might look once the initial phase of the Covid-19 crisis has passed.

The coronavirus pandemic has transformed day-to-day life around the world. People have been thrown out of work; food is insecure for many; schools have closed; hundreds of millions (who still have jobs and can) are operating from ‘home offices’; while social distancing and national lockdowns have quickly become the norm.

Covid-19 is transforming national policies on an unimaginable scale: ‘austerity’ has vanished and Keynesian (perhaps hyper-Keynesian) spending is back; neo-liberal regimes are making unimaginable welfare interventions; income support is favoured in some countries, with the Pope even backing universal basic income; and hyper-globalisation policies are being reined in. Seemingly everything has changed.

The pressures for these transformations are focused on proximate problems: rapid responses to the raised risk of premature death from a new disease and temporary support for employment, incomes, household food security and the wider economy. But, at a structural level, the coronavirus pandemic could help transform the institutions and norms that have been underpinning global development in the early 21st century: it could change the ‘rules of the game’, for better or for worse. As our colleague Lauchlan Munro puts it – “now is the time to think about later”.

Moments of crisis matter. They can be a critical juncture, where actions taken now could have legacies for decades to come. The pandemic could be a time for what Naomi Klein has called “Shock doctrine”, where the crisis is exploited for questionable purposes and for an unappealing future. Or it could set the course for a better future.

In this essay, we explore the possible forms that such structural transformations might take, as an aid for those thinking about how to shape global futures at this historic moment. This is done in terms of three scenarios of ‘what’ the future might be like, rather than predictions. We give these future scenarios simple labels to capture their essence: ugly (highly undesirable for humanity): bad (a return to the pre-coronavirus status of climate crisis and stark and rising within-country inequality); and good (improvements on the world of 2019).

Scenario 1. Ugly: Global Meltdown

The proximate impacts of the coronavirus pandemic have been extremely negative: public fear, increased mortality, loss of jobs and reduced income (for hundreds of millions of informal sector households the cessation of income), collapsed businesses, strained public health services, a massive rise in public debt, loss of personal mobility and threats of social and political breakdown. These negative impacts create processes that could greatly increase the likelihood of structural changes that undermine the prospects for human development. At the extreme they include apocalypse and the slide of humanity into dystopia or extinction.

Potentially, such a scenario could develop from either the direct health threat of the coronavirus or the indirect impacts of the disease on economic, social and political life. The likelihood of the direct impact of the disease producing a total societal collapse seems low. While Covid-19 has increased mortality rates for some groups in some parts of the world, its actual impacts on overall mortality rates seem unlikely to approach those of the two world wars or the ‘Spanish Flu’ (at least 50 million deaths).

When Covid-19 bites deep it appears to deliver a culling effect on human populations but not something that leads to fundamental demographic change (e.g. massively smaller populations, significantly reduced national life expectancy, greatly increased levels of morbidity and disability). For example, it is different from HIV-AIDS, which led to South Africa’s average life expectancy falling by almost 10 years from the mid-1990s to mid-2000s. This finding does not create grounds for complacency (hundreds of thousands of people dying from a new disease is
horrendous). But, it does mean that unless something else happens (e.g. Covid-19 mutates into a much more severe sickness), then the proximate impact of Covid-19 is unlikely to be human demographic collapse.

However, when the indirect effects of Covid-19 are explored then apocalypse scenarios can be more readily generated. There are several potential pathways (financial collapse, social breakdown, political paralysis, international warfare) that could theoretically create an apocalypse but, in most scenarios multiple, interacting pathways would be envisioned.

The financial meltdown is perhaps the most likely of the ugly scenario initiators. The contagion effects of a run on banks would knock on throughout the banking/finance sector and, if accompanied by severe problems with digital platforms (websites crashing or hacking that stops people accessing accounts) could rapidly deepen. And, one would have to be very naïve or very well-informed to be absolutely sure that a non-sustainable asset or product, like sub-prime mortgages and derivatives, has not already been built into our global financial system.

Putting financial contagion aside, previously unthinkable financial packages of support have been announced in recent weeks, particularly in higher-income countries, but also on a smaller scale in low and middle-income countries. This could lead to a huge strain on public finances for years or decades to come, which could precipitate a return to austerity that would sow the seeds for further societal decay through poor health coverage, unequal education and failure to combat climate change.

That oft-found crisis tendency of ‘socialism for the rich and capitalism for the poor’ has been manifest in some very wealthy individuals and companies benefiting from government support, while those most in need struggle for any assistance. Moreover, the lack of conditions attached to some financial assistance for business, such as the absence of climate change aspects in the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the US, are a missed opportunity to address known problems. At the same time, regressive conditionality such as the World Bank’s offer for fast-track assistance, “conditional on structural adjustment policies mandating deregulation (e.g., by promoting private markets in health) or trade liberalisation” (as commented in the *Lancet Global Health*), has dark echoes of the 1980s and early 1990s.

The social breakdown pathway has many possible origins but prime amongst these is that ill-effects from Covid-19 management policies (especially policies that create food insecurity or stop informal sector workers daily earnings) lead to mass unemployment, riots, raids on food stocks, police/military over-reaction and an expanding cycle of violence.

As Ricardo Haussmann puts it: “If people must choose between a 10% chance of dying if they go to work and assured starvation if they stay at home, they are bound to choose work”. Alternatively, the assumption that US society can retain that limited cohesiveness it still possesses could be challenged if President Trump manages to encourage his base to violently reject public policies in Democrat-governed states.

Political paralysis or breakdown could evolve in democratic situations through the introduction of ‘suspended democracy’, as in Hungary, or when dissatisfied public’s demand change and political leaders seek to retain power through policies that undermine state capacity. There is also the very real challenge of how to hold elections under lockdown. With a muted civil society, authoritarianism could continue. The recent rise of populist leaders and political parties would fuel such processes.

Internationally, existing cooperation could break down and, at its worst, involve a descent into warfare. Rather than the problems exposed by the pandemic leading to strengthened international cooperation, nationalistic governments could blame the ‘global’ and retreat inwards. Donald Trump’s announcement to withdraw US funding from the World Health Organisation, relatively
unthinkable a few weeks ago, could last longer than is thought and spread to other organisations (e.g. further disregard for the World Trade Organization). This could significantly affect not just health, but action related to climate change and financial stability, as global governance is weakened. Think ‘America First’ but on a more widespread and sustained basis. Border restrictions may continue and be selectively targeted to an extent not seen before.

A more severe breakdown of international cooperation could even take the world into some form of ‘third’ World War leading to an apocalypse when one or more players decide to use nuclear or biological weapons. Such an international conflict could develop by conventional military confrontation but, perhaps more likely, would be a digital attack – undermining a country’s banking system, its health system, electricity supply, access to potable water – and a response that escalates the conflict digitally and then into actual military activity. Would any country be so ‘foolish’? With North Korea and Russia around, and the US under Trump, the answer must be ‘yes’.

The most likely multi-factor, interacting scenario would see a set of these factors operating simultaneously and sequenced in ways that cumulatively fuel ‘negative’ feedback. The world would see increased mortalities, more rapid economic/employment/food security collapse, social breakdown, confrontational international relations and possibly even apocalypse.

**Scenario 2. Bad: Unsustainable and Unequal World**

The Bad scenario envisages a future that returns humanity to something like its pre-coronavirus status, something which at this moment seems a ‘good scenario’. While this would mean historically ‘high’ levels of human development and relatively ‘low’ levels of absolute poverty, a return to this situation is ‘bad’ as it means that climate crisis and stark and rising within-country inequality **continue.**

Human progress is unlikely when faced with these twin threats of environmental unsustainability and the human and political consequences of inequality (unfair societies and elite-captured policy processes). The ‘critical juncture’, provided by Covid-19, to transition to a low carbon and more egalitarian world will have been wasted. If the end of the Cold War (1989/90), being within a hair’s breadth of global financial meltdown (2008) and a global health pandemic (2020) cannot foster the social transformation (or the plutocrats seeing a need for system change) to sustainability and equity then it looks like only a genuine World War 3 (inter-state warfare, tens of millions dead, hundreds of millions insecure, cities devastated) has the potential to move humanity beyond ‘business as usual’.

This scenario assumes a recovery (in terms of health, economic growth, stock market valuations and the performance of public institutions) from the coronavirus situation that we are (and will be) experiencing. These are the standard assumptions that have underpinned private investment for the last two centuries: that in the medium to long-term economic growth will continue as capitalism ensures technological and organisational advances that create products and services that are commercially viable (with more or less state assistance). But, it could also envisage reduced levels of improvement in human development.

Richard Haass, President of the United States’ Council on Foreign Relations, **has argued** that “The pandemic will accelerate history rather than reshape it”. The trends which he sees as already in motion and likely to accelerate are declining US leadership, faltering global cooperation and discord amongst the great powers. For Dani Rodrik, the pandemic brings out “confirmation bias”, solidifying the views we already had. He has **argued that**: ‘The crisis seems to have thrown the dominant characteristics of each country’s politics into sharper relief. Countries have in effect become exaggerated versions of themselves. This suggests that the crisis may turn out to be less of a watershed in global politics and economics than many have argued. Rather than putting the world on a
significantly different trajectory, it is likely to intensify and entrench already-existing trends”. In this scenario tackling climate change continues to drift as a priority for the international community and the climate crisis accelerates.

In short, some forces for the Ugly Scenario involving domestic decay, retreat from international cooperation, austerity and complete inaction on climate change, could push back against those pushing for our Good Scenario, involving greater global cooperation, more inclusive states which spend on health and social protection, and considerable commitment to address climate change. We then end up in the Bad Scenario of considerable inequality within countries and an accelerating climate crisis.

**Scenario 3. Good: Global Sustainable Development**

This scenario envisages the negative proximate impacts of Covid-19 as fostering (or having the potential to foster) positive structural transformations in economic, social and political institutions and norms. There are historical precedents for such optimism. The Black Death of the 14th Century (a much more severe pandemic that reduced Europe’s population by 30 to 60%) is credited with causing a labour shortage in the UK that led to the strengthening of peasant/worker voice and interests and the initiation of political processes fostering the evolution of more democratic political institutions and norms over later centuries.

The World Wars of the 20th century fostered forms of capitalism and public policies that shared the growing wealth of industrialised countries more equitably across their societies than in the pre-1919 world. This led to raised incomes and improved levels of human development across Europe and North America as greater public investment in education, health, social housing and welfare improved the lives of tens of millions of people.

This idea of a negative ‘event’ creating longer-term positive effects has become a rallying call for progressive policy change or socio-political structural transformation: a call for leaders to “never let a good crisis go to waste” (this saying is attributed to Winston Churchill, the social activist Saul Alinsky, the health economist M F Weiner and others).

From this viewpoint, scenarios can be developed that see progressive structural transformation (local, national, international or global) as most likely to occur immediately after a crisis. The need for collective action and social solidarity is seen as generating new international social norms.

In the specific case of Covid-19 a strong argument can be made that it demonstrates that we live in what is truly an era of global development characterised by collective action problems across North and South, such as global public health, global climate change and inequality: that we need institutions and norms that recognise we all live in ‘one world’. The Nobel Laureate, Amartya Sen, has argued that “a better world can emerge from the lock-down”. Problems which existed before the crisis, such as inequality and climate change, could now be addressed.

A strengthening of global governance is possible. The IMF, World Bank and United Nations were created at the end of World War II, although arguably assisted by the context of a unipolar, US-led world. Global governance initiatives this century have struggled to deal with a more multi-polar world, but this crisis could act as a catalyst to re-energise international cooperation (not just in health) without US leadership.

Strong calls have already been made for international cooperation to assist lower-income countries to deal with the current Covid-19 economic crisis. Oxfam have called for a moratorium by G20 and other creditors on debt interest payments for poor countries. The G20 have temporarily agreed to suspend repayments on loans from 76 of the world’s low and middle-income countries. Considerable private sector debt still exists, however, while public debt looms large in the future. Sustained debt relief would permit these financially-constrained countries to invest in improved health services, social protection, climate change adaptation and
support for small businesses. If a moratorium could run alongside the IMF issuing special drawing rights (without 1980s-style regressive conditionalities), then access to development finance for the poorest countries could be transformed. Such cooperation could not just assist poorer countries to deal with the immediate crisis, but also remove some constraints on and act as a positive stimulus to their future development possibilities.

Strengthened international action to address the pandemic could lead to stronger cooperation not just in health, but also in tackling climate change and inequality (e.g. tax coordination). This would involve much greater commitment to the SDGs and a commitment to global public investment. Andrew Norton has argued that the crises of climate change and Covid-19 need to be harnessed together to raise the prospects for multilateral action that recognises that national goals (minimising the effects of new diseases or negative climate change impacts and operating in a stable economic environment) can only be achieved by effective multilateral action (to develop vaccines, reduce rates of disease transmission, reduce carbon emissions, ensure financial stability etc).

Domestically, commitment to greater inclusion could emerge. The pandemic has demonstrated that we are only as healthy as the least healthy amongst us, strengthening the case for universal health coverage. As Amartya Sen has noted, post World-War II, the positive effects of attention to the disadvantaged led to the National Health Service in the UK. If Africa is not internationally supported in its anti-Covid-19 efforts, then the disease may linger on there and subsequently re-emerge in OECD countries. Such inclusion would not need to be limited to health, but could also include much stronger social protection.

A commitment to state intervention continues. Mariana Mazzucato has argued for the need to “Bail out firms businesses responsibly”, rather than the austerity that followed the global financial crisis. This means that firms bailed out retain workers, reduce dividends, prevent share buybacks, and encourage investment in sustainable growth with a reduced carbon footprint. Positive signs have emerged in New York were the coronavirus recovery is linked to the commitments needed to fight climate such as promoting renewable energy, and in Denmark which (like France and Poland) has stated that it won’t bail out firms which are registered in tax havens.

But, those advancing the argument for turning crisis into opportunity for global sustainable development (including us) are not specific about how such multilateralism can be achieved in a multi-polar world. Back in 2008-09, it looked as though the G20 (with members representing around 80% of the world population and economic output) might be the new institution that could mobilise global action, but that hope faded quite quickly and the financial institutions that had created the global financial crisis, and their avaricious norms, were allowed to continue. The G20 has virtually met on the Covid-19 crisis but has not taken leadership of an international or global response. An ideal scenario might be for the US and China to collaborate and provide world leadership, but with Donald Trump as President that is not going to happen. Could China and the EU provide the leadership? They had planned a major collaborative event on the climate crisis for September 2020, before the COP 26 meeting, that would have provided a forum for agreeing to work together on global threats, but that meeting may now be cancelled because of coronavirus!

Conclusion

This note has briefly explored the Good, the Bad and the Ugly scenarios that could emerge from the coronavirus pandemic. While the negative proximate effects of the disease might encourage many to believe that ugly or bad longer term outcomes might be expected, (weakened international financial systems, high levels of public debt, damaged multilateralism etc) the counter-argument that the pandemic creates an opportunity for progressive social transformation has some historical support.
Our gut-feeling, fuelled by the failure of the global financial crisis of 2008 to lead to fundamental changes in financial institutions and norms, is that the world will ‘recover’ from Covid-19 but back to the Bad scenario. That is better than the world remaining in crisis (and it may look attractive at the present moment), but it would leave humanity on an unsustainable and socially unjust trajectory.

For social scientists, the challenge is to think through ‘how’ the prospects of ‘not wasting the crisis’ can be raised. One of the ways is clearly by helping the wider population realise that global problems, now and in the future, will require effective multilateral action if we wish to reduce their proximate effects at home and in other countries. But, to improve the likelihood of a shift to the Good scenario, progressive analysts will need to create a popular narrative that mobilizes national and global constituencies that will demand the institutions and support the norms that will lead to transformation.

This may entail new forms of capitalism and/or new and more coherent forms of socialism, but it will need an easy to follow and easy to repeat narrative. Anti-neoliberalism and anti-populism tracts may be applauded by the progressive cognoscenti but they will not energise popular support for the social transformation that an unsustainable and unjust world needs.

David Hulme is Professor of Development Studies at the University of Manchester’s Global Development Institute and CEO of the Effective States and Inclusive Development Research Centre. Rory Horner is Senior Lecturer in Globalisation and Political Economy at the University of Manchester’s Global Development Institute and Senior Research Associate at the University of Johannesburg’s Department of Geography, Environmental Management and Energy Studies.

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