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## What will a post-pandemic economy look like?

It is clear that the world is currently in the midst of some kind of inflection point

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[Rita McGrath and M Muneer, Special to Gulf News](#)



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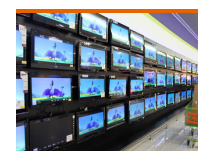
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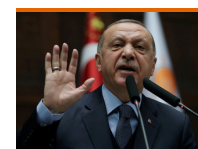
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Andy Grove, noted author and pioneer, introduced the concept of strategic inflection points as moments in time when the fundamentals of business change, requiring a major shift in how we operate. The dilemma is when to take action – move too early, you’ll waste resources; wait for a while, you’ll get buried.

The COVID-19 presents no such dilemma since this inflection point is here-and-now, and it is serious. The WHO projects more than 425 million infections by June. The mortality rate is low due to social distancing and lockdowns but the impact on global economy may be huge, something not witnessed in our lifetime.

**That globalisation and trade are always good; air travel should be accessible to everyone; we shouldn’t have to invest in building resilient systems, just efficient ones”**

With the dismal disappearance of normality in our lives, it’s important to acknowledge how awful this is going to be for a great many people who are dependent on daily wages and monthly salaries. Many companies may soon refuse to pay, forcing workers to quit.

Pandemics have often catalysed social change. Water, sewage, and public health authorities all emerged from previous epidemics. Social change can also come from economic change, such as industrialisation and the creation of the first instance of mass inequality in what came to be called the Gilded Age.

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## Early warnings scenarios

Using inflection points, we can build scenarios and early warning systems for the post-corona future. This will be like a “thin-ice” moment, because things are moving very quickly but the framework may still be useful for decision makers.

The proposed framework will articulate two (or more) crucial uncertainties, create a story about the future states that different values of the future uncertainties might imply, define a “time-zero” event and work backward to create an early warning system.

Let us create four quadrants for potential post-corona economic scenarios.

The first dimension (X-Axis) shall be the current capitalistic “maximising shareholder value/profits” on the left side and the new “maximising shared value”, which is neo-socialism, or reimagined as “stakeholder capitalism” where suppliers, customers, workers and society flourish along with the business, on the right.

For the other dimension (Y-Axis), choose “prolonged global slowdown” on top and “bounced-back economy” on the bottom.

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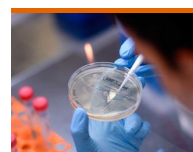
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The next step is to create a short “story” about the future state each scenario represents.

Four scenarios emerge:

Maximising shareholder value:

1) With economic catastrophe, the result could be pervasive poverty and inequality, economic insecurity even for middle class, and political instability in many countries.

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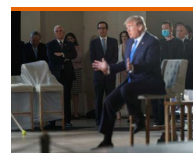
2) With economy bouncing back, rinse and repeat of the last many years – middle and lower classes continue to struggle, high levels of inequality remain.

3) When doom happens, there will be expanded social security programmes, greater taxation, or even some nationalisation of private wealth, and alliances between government and NGOs.

4) Economy bouncing back, things will return to the consensus on distribution of societal wealth, inequality narrows gradually and social goods made more affordable.



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**A man wearing a facemask as a preventive measure against the COVID-19 novel coronavirus walks along a market area in New Delhi**

Image Credit: AFP

Now come up with what we call a “time-zero” event for each of the four scenarios – in other words something that might be in media that represents either positive or negative signal of an inflection point.

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Once the “time-zero” events are established, work backward to identify information that would represent leading indicators of the event becoming a reality. If you see lots of indicators piling up, it is highly likely for the event to become reality.

Interestingly, we see weak signals that any of the four scenarios outlined above could be in our future. In fact, for all of them, we are able to find real, in-the-here-and-now headlines reflecting that scenario coming to fruition.

The question for all of us is whether we can create strategies that are robust in the face of all of these possibilities or whether we should bet on one.

Let us assume the time-zero event, “death of soul of capitalism”, ensues in which case governments will have to turn tough on profiteering private enterprises for the sake of the larger working class, both local and migrants. Some indicators we might see are:

- A rise in the popularity of authorities to take coordinated action

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- Pressure builds to eliminate easy access to stock buy-backs that lead to mass layoffs
- Restrictions on executive compensation
- Investors to take a hard look at cash reserves of firms
- Minimum sustainable income plans
- Increased health and social benefits to the labour class

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While these aren't predictions about what is likely to happen, it's clear that we are in the midst of some kind of inflection point.

We're going to be asking questions about many of our taken-for-granted assumptions: That globalisation and trade are always good; air travel should be accessible to everyone; we shouldn't have to invest in building resilient systems, just efficient ones; nationals cannot do hard labour; and so on.

– *Rita McGrath is a professor at Columbia University. M Muneer is the co-founder of Medici Institute Foundation for Diversity and Innovation.*

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