

Summary of Paul Collier’s contributions

There will be a severe import compression as a result of the crisis. South Africa and Nigeria make up half of Africa’s GDP and both have been badly hit. Import compression is a bigger problem now than in the 1980s because the formal sector has grown. As the formal sector grows, it becomes more import dependent. The informal sector is more resilient because it is not very interdependent. The big danger for OECD economies is that they are so interdependent that if a few activities contract that turn out to be essential for many others, the entire economy can all fall off the precipice.

On the lockdown model, the most suitable model for Africa may turn out to be Sweden [which has not imposed a lockdown] where the burden of responsibility has been put on each individual rather than using the police force. However, in that approach, it’s very important to explain carefully to the population the risks that they are taking. Tell people to avoid interaction if they don’t want to get sick. The whole informal economy can’t be blocked but government can shut down big symbolic interaction and discourage bars and so on.

While lockdowns are going on, use mobile phones to get small payments to people. South Africa is one of the few countries where governments have already built the infrastructure for social protection. In other countries, the big hit will be for households who are already very poor - overwhelmingly in rural areas. What is needed are small regular payments. The best way to do that is each household or each person with mobile phone will get small regular payment once a week for 10 weeks or 3 months – with a clear end-date explained in advance. That prevents catastrophe.

I would not cut taxes and provide money for firms because you can’t safely find mechanism to do that. Don’t spend money on the formal sector; spend money on the poorest people. It could be financed by printing money. Prices may go up a bit until international support comes in, but it will be justified expenditure. Multilateral institutions could, and most likely will, soon give long term cheap money to offset it – but don’t wait for their slow decision mechanisms – the need is now to stop poor people’s incomes collapsing. If governments spend extra money now in a way that is easily seen as sensible to relieve vulnerable poor people, donors will subsequently fund it. But if they also spend money in ways that look harder to justify that could jeopardize support.

Finally, it’s the non-COVID deaths that matter. In the UK, non-COVID deaths have gone up more than COVID deaths because people have been told not to go to the doctor. There’s been a dangerously big cut in usage of health systems. In Africa it will be different. Hospitals are a minor component of health systems, but in Africa, a lot of young kids are already weak. If they catch the virus, they will die. Rural clinics need to be strengthened and kept going at all cost. The real target is to avoid deaths of people who are vulnerable due to other diseases.