

August 27, 2020



## THE INSTITUTE FOR INTERNATIONAL ECONOMIC POLICY

July was a busy time for IIEP. We hosted two more events in our Facing Inequality virtual series, held discussions of the IMF's Spring 2020 Regional Economic Outlook for Sub-Saharan Africa and the 2020 Global Multidimensional Poverty Index, and cosponsored two other webinars. We are incredibly grateful to all those who engaged with us by attending our virtual sessions. We hope that each of you will continue to follow our efforts to foster dialogue on global economic issues throughout the summer in virtual formats. If you were not able to attend our July events, keep reading below to see what we have been up to!

## Faculty Response to COVID-19

Our faculty have been working hard to research and break down the economic impacts of COVID-19. Read some of their work from July 2020 below.

- ["A tale of two wage subsidies: The American and Australian fiscal responses to COVID-19"](#) by Steven Hamilton
- ["How the Pandemic is Changing the Economy"](#) by Jay Shambaugh and Wendy Edelberg
- Tara Sinclair, featured in ["A Collapse That Wiped Out 5 Years of Growth, With No Bounce in Sight"](#)
- Jennifer Brinkerhoff, featured in ["Diaspora Organizations Are Stepping Into the Void on Covid-19"](#)
- Bryan Stuart and Tara Sinclair, featured in ["Fact-checking Biden's comments on COVID-19 small business closures"](#)
- Jay Shambaugh, featured in ["The Extremely Boring Idea That Could Save the Economy"](#)
- Tara Sinclair, featured in ["US economy suffers sharpest contraction in decades"](#)

To view a comprehensive archive of our faculty response to COVID-19, please [visit our website](#).

# July Highlights

## Facing Inequality Virtual Event Series

# Facing Inequality Virtual Event Series

with the Institute for International Economic Policy



In July, we continued our webinar series, "Facing Inequality." This virtual series focuses on current and emerging inequality issues in the U.S. and around the globe - especially those revealed by the current COVID-19 pandemic. It brings together historians, economists, sociologists, political scientists, and epidemiologists, within the academy and without, to present work and discuss ideas that can facilitate new interdisciplinary approaches to the problem of inequality.

The "Facing Inequality" series is organized under the stewardship of IIEP Director James Foster, Oliver T. Carr, Jr. Professor of International Affairs and Professor of Economics, and IIEP Faculty Affiliate Trevor Jackson, Assistant Professor of History. The series is co-sponsored by the GW Interdisciplinary Inequality Series, co-organized by Prof. Jackson from the Department of History and Prof. Bryan Stuart from the Department of Economics.

The fifth webinar on Tuesday, July 14th, **"How should we measure multidimensional inequality? A philosopher's approach (with COVID applications),"** featured **Dr. Kristi Olson** of Bowdoin College. When we measure multidimensional inequality, we must decide how much weight to give each dimension. The simple approach—giving each dimension equal weight—is almost certainly wrong, but what are the alternatives? Dr. Olson's paper critiques some of the familiar approaches: subjective utility, egalitarian equivalence, and the envy test. It then introduces a new approach. She takes as the equal baseline those bundles that could be cooperatively distributed if everyone were free to choose from among all bundles. Using these bundles as the baseline, we can measure the extent of deviation from equality. The approach can be

University were discussants.

View the livestream of the event [here](#).

The sixth event on Tuesday, July 28th, "**Central Banking in the Age of Inequality**" featured **Benjamin Braun** of the Max Planck Institute for the Study of Societies. Monetary policy during the so-called Great Moderation was defined by the trinity of price stability as the primary goal; central bank independence as the institutional arrangement; and short-term open market operations as the central bank's sole instrument. The distributional consequences of monetary policy were considered negligible, and inequality was not a concern for central bankers. After more than a decade of ever-expanding central bank interventions and balance sheets, this narrow conception of monetary policy looks unlikely to return anytime soon. Focusing primarily on the European Central Bank, this talk will examine the political economy of central bank actions beyond conventional open market operations. This includes large-scale asset purchases as well as central bank forays into regulatory policymaking, notably in the areas of financial and labor market policies. The unequal distributional consequences of these actions raise important questions about central bank mandates, independence, and democratic accountability. IIEP's **Trevor Jackson** and Georgetown's **Aditi Sahasrabudde** were discussants.

View the livestream of the event [here](#).

## IMF's 2020 Regional Economic Outlook for Sub-Saharan Africa



On July 25th, IIEP hosted a virtual discussion of the IMF's Regional Economic Outlook for Sub-Saharan Africa. Representatives of the IMF Africa Department presented the report,

## Chapter 1: Covid-19: An Unprecedented Threat to Development

The outlook for 2020 for sub-Saharan Africa is considerably worse than was anticipated in April and subject to much uncertainty. Economic activity this year is now projected to contract by some 3.2 percent, reflecting a weaker external environment and measures to contain the COVID-19 outbreak. Growth is projected to recover to 3.4 percent in 2021 subject to the continued gradual easing of restrictions that has started in recent weeks and, importantly, if the region avoids the same epidemic dynamics that have played out elsewhere. Africa's authorities have acted swiftly to support the economy, but these efforts have been constrained by falling revenues and limited fiscal space. Regional policies should remain focused on safeguarding public health, supporting people and businesses hardest hit by the crisis, and facilitating the recovery. The region cannot tackle these challenges alone, and a coordinated effort by all development partners will be key. Read the chapter [here](#).

## Chapter 2: Adapting to Climate Change in Sub-Saharan Africa

Sub-Saharan Africa is especially vulnerable to climate change, as it relies heavily on rain-fed agriculture and has limited resilience and coping mechanisms. On average, climate change could reduce GDP growth by at least 1 percentage point in the month a climate shock occurs. Improving access to finance and insurance, education, health, telecommunications, and physical infrastructure would be most effective in raising resilience. Ensuring food security and raising agricultural productivity in the face of intensifying weather shocks will require targeted social assistance, crop diversification, and improved irrigation. While these measures involve large public spending, they should be prioritized as they will be more cost-effective than frequent disaster relief. Limited fiscal space poses a challenge and means that development partners' support will be critical. Read the chapter [here](#).

## Chapter 3: Digitalization in Sub-Saharan Africa

Sub-Saharan Africa is also rapidly becoming digitally connected and closing gaps with the rest of the world. Digital solutions have taken on added importance as countries grapple with the unprecedented fallout of the COVID-19 pandemic. While countries have leveraged digital solutions and policy responses, the connectivity gap between sub Saharan Africa and the rest of the world suggests that greater digital readiness could have allowed the region to do even more. Analysis conducted before the pandemic found that a one percentage point increase in internet penetration in the region can raise per capita growth by 0.1–0.4 percentage points. There does not appear to be an impact on overall employment, although the share of service sector jobs increases. Evidence suggests that digitalization can help reduce corruption, improve public sector accountability and efficiency, and support financial development. However, digitalization brings new risks (e.g., cybersecurity, business continuity) and challenges to macro-policy making (e.g., monetary policy transmission, changes to the tax base). As attention turns to policies for the recovery, the pandemic will likely serve to accelerate the digital transformation. Policies to enable and

to ensure consumer protection and address risks.

Read the chapter [here](#).

***Read the full [Regional Economic Outlook for Sub-Saharan Africa](#) here.***

## A Discussion of the Global Multidimensional Poverty Index 2020



On July 29th, IIEP hosted a joint webinar with the Oxford Poverty and Human Development Initiative to discuss the 2020 Global Multidimensional Poverty Index. The event featured opening remarks from IIEP Director James Foster. Presenters included Sabina Alkire, Ricardo Nogales, and Monica Pinilla of OPHI, and Pedro Conceicao of UNDP, with discussants Ajay Chhibber of IIEP, Frances Stewart of the University of Oxford, and Dean Jolliffe of the World Bank.

The 2020 global MPI report profiles a global study covering 5 billion people of harmonised trends in multidimensional poverty. It explores if countries, before the pandemic, were on track to halve their multidimensional poverty if observed trends continued. In the context of COVID-19, which unfolded as the report was compiled, the report offers simulations of the possible impacts of the pandemic on the global MPI. A decade away from the targets of the 2030 Agenda for Sustainable Development, the report concludes with an in-depth analysis of multidimensional poverty from the perspective of a selection of SDGs.

Read the full report [here](#).

View a video of the event [here](#).



## Other Recent Events

### Innovations in Digital Trade: The Sequel

On July 16th, the Digital Trade and Data Governance Hub hosted their eleventh webinar, discussing current and emerging data governance issues. This webinar featured [Sabina Ciofu](#), Head of EU and Trade Policy, techUK; [Sam duPont](#), Deputy Director, Digital Innovation and Democracy Initiative, German Marshall Fund; and [Nigel Cory](#), Associate Director, Trade Policy, Information and Technology Innovation Foundation.

The US and the UK have a long history of collaborating to create innovative trade agreements. This webinar addressed how the two nations may negotiate the digital trade chapter of the proposed US/UK trade agreement. The UK's approach may build on [its draft](#) negotiating language for its free trade agreement with the EU, while the US plans to include "state of the art" rules, [including](#) a ban on mandates to disclose source code and algorithms and "rules limiting platform liability for third-party content."

This event was co-sponsored by Digital Trade & Data Governance Hub; UK Trade Policy Observatory; Internet Society: Greater Washington DC Chapter; George Washington Center for International Business Education and Research (GW-CIBER); Centre for International Governance Innovation; World Wide Web Foundation; and Institute for International Science and Technology Policy.

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## Faculty Research

### Cities Without Skyscrapers: Worldwide Building-Height Gaps and their Implications

By Remi Jedwab, Jason Barr and Jan Breuckner

There is a relatively large literature in the U.S. measuring the extent and stringency of land-use regulations in urban areas and how these regulations affect important outcomes such as housing prices and economic growth. This paper is the first to present an international measure of regulatory stringency by estimating what we call building-height gaps. Using a novel geospatialized data set on the year of construction and heights of tall buildings around the world, we compare the total height of a country's actual stock of tall buildings to what the total height would have

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richer countries and for residential buildings rather than for commercial buildings. The building-heights gaps correlate strongly with other measures of land-use regulation and international measures of housing prices, sprawl, and pollution. Taken together, the results suggest that stringent building-height regulations around the world are imposing relatively large welfare losses.

[Read the full paper here.](#)

### **Twenty Year Economic Impacts of Deworming**

By Sarah J. Baird, Joan Hamory, Edward Miguel, Michael W. Walker, and Michael Kremer

This study exploits a randomized school health intervention that provided deworming treatment to Kenyan children and utilizes longitudinal data to estimate impacts on economic outcomes up to 20 years later. The effective respondent tracking rate was 84%. Individuals who received 2 to 3 additional years of childhood deworming experience an increase of 14% in consumption expenditure, 13% in hourly earnings, 9% in non-agricultural work hours, and are 9% more likely to live in urban areas. Most effects are concentrated among males and older individuals. Given deworming's low cost, a conservative annualized social internal rate of return estimate is 37%.

[Read the full paper here.](#)

### **A tale of two wage subsidies:**

#### **The American and Australian fiscal responses to COVID-19**

By Steven Hamilton

Australia suppressed the virus with swift and strong public health measures including stringent border controls. As of July 2020, the virus continues to spread uncontrolled across the US, resulting in the most recorded cases and deaths of any country. Both countries instituted widespread lock-downs and similarly generous fiscal support, yet Australia has experienced a far milder recession, highlighting the critical role of public health measures in protecting the economy. The role of broad cash stimulus necessarily has been more limited than in an ordinary recession, justifying the use of wage subsidies that encourage businesses to retain workers. The Australian wage subsidy, delivered via the tax authority, was better targeted, more generous, more accessible, but slower to deliver liquidity than the American wage subsidy delivered via private banks. The experience highlights the critical need for significant investments in IRS infrastructure to better prepare for future crises.

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## In the News

In July, our faculty and visiting scholars were published and quoted in the news regularly.

Some of the highlights include:

- ["Democracy vs Maoism 2020"](#) by Ajay Chhibber
- ["Why we need a 'Wicked Problems Agency'"](#) by Susan Aaronson
- Tara Sinclair, featured in ["Let's \(sigh\) do the numbers"](#)
- Jay Shambaugh, mentioned in ["Economists Say 68 Pct Of Unemployed Workers Collected More Than Their Regular Wages"](#)
- Susan Aaronson, mentioned in ["TikTok grab could extend -- or undermine -- U.S. online dominance"](#)

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