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## How Will an Exit from the Shutdown Work?

The Covid-19 pandemic has plunged Germany, and many other countries, into an unprecedented crisis. Restrictions on leaving the house and meeting with people have been imposed and many companies have halted production.

These interventions are necessary to slow the spread of the virus, but they come at an astronomical cost. Scenarios generated at the ifo Institute suggest that a one-month shutdown (which itself reduces value added by a good third) followed by a two-month recovery phase causes gross domestic product to shrink by no less than 5.7 percent – which in Germany equates to some EUR 200 billion. An additional week would cost an additional EUR 42 billion – roughly equivalent to the entire German defense budget.

### Get Together Health Protection and Economic Interests

To juxtapose human lives endangered by the virus with production stoppages gives the impression that economic interests cannot be reconciled with health protection. But it's not that straightforward. Even if all legal restrictions were lifted, the economy could flourish while a dangerous virus is rampant. Conversely, those who think that a longer shutdown automatically means people's health is better protected are also mistaken. One consequence of the shutdown is that many other diseases are no longer being treated. Psychological distress and social problems such as domestic violence are on the rise. There are health implications, too, for the self-employed who must watch as their livelihoods collapse and for the swelling ranks of the unemployed.

A successful exit from the shutdown must combine health protection with economic and social stabilization. It needs take into account a wide range of risks. Together with an interdisciplinary group of scientists, I have proposed a strategy for this. We do not think that it makes sense to announce fixed exit dates or to mechanically link them to individual key figures, such as the time it takes for the infection rate to double. Instead, what's required is a flexible, gradual opening process. Without relevant information, it won't be possible to assess the risks of infection arising from any lifting of restrictions. This is why large-scale testing to monitor the spread of the virus and the increase in immunity in the population is so important. It is just as fundamental to provide hospitals and nursing homes with protective clothing and masks.

### Criteria for a Gradual Opening

Steps taken to open up the economy should be based on the following criteria: Sectors with a low risk of infection, such as highly automated factories, or where most people are less vulnerable, such as day-care facilities and schools, should be opened as a priority. Individual students or teachers may belong to risk groups and need to be protected. Doing so may be difficult, but ongoing school

closures are the worse alternative. Interrelationships between sectors must be taken into account. For example, many people with children cannot go to work as long as day-care facilities are closed. Sectors where people can work productively from home are of lower priority. High value-added activities should be earmarked for priority opening. Restrictions that imply high levels of social or psychological stress should be relaxed as a matter of urgency. Regions with lower infection rates, less potential to spread the disease, or high natural immunity can be opened up sooner. This also applies to regions with sufficient spare capacity in health care.

### Politics Can Bridge Effects

How can policymakers support economic development through the exit process? As long as there is no vaccine or effective treatment for Covid-19, in other words probably until the end of the year, we will have to live with considerable restrictions. Economic policy is currently focused on enabling those affected to get through the period of inactivity. More needs to be done here. Traditional economic policies to support demand, such as broad tax cuts, would currently have little effect. Stimulus measures must be targeted very precisely. For example, public investments in construction can go ahead, provided that the work takes place outside and building materials are available. Investment by public authorities in digitalization should also be accelerated, provided that the facilities in question are not overburdened by the crisis. Precision is also crucial because the financial resources of the German state, while great, are not unlimited. This fact will still be true once the restrictions have been completely removed and broader economic stimulus programs are possible.

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