

BOOK REVIEW

UNFREEZE: HOW TO CREATE A HIGH GROWTH ECONOMY AFTER THE PANDEMIC

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“Economies are not like video games that can be paused and then unpaused with no effect. Freezing an economy causes systematic problems, and unfreezing it requires systematic solutions. This book is a much needed well-researched study on what it will take to get the world up and running again.” ~ Jason Brennan

The spread of COVID-19 has impacted the world economy very deeply. During March and early April 2020, much of the world economy was deliberately shut-down and frozen to combat the COVID-19 pandemic. Through this book, the authors have tried to list out the economic policy settings necessary for rapid adaptation and market re-coordination that is required to revive the economy. They have discussed different issues relating to unfreezing of economies and ways to deal with the crisis.

The authors of this book are a group of economists who specialize in innovation and institutional technologies at the RMIT Blockchain Innovation Hub based at RMIT University in Melbourne, Australia. They noticed that COVID 19 has not just

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resulted in severe public health crisis, but has also led to a sudden boost of economic innovation and institutional adoption to deal with ongoing shutdown of economies. In their own words, since COVID 19, businesses/ people/ governments all over the world are experimenting on finding out “what works?” and they are actually finding out better ways of doing things. Globally, people are discovering the practical virtues of digital technologies as economic infrastructure, and rapid experimental qualities of open markets and open knowledge. So, they have put this book together to initiate discussion on how economies post pandemic will look and adapt to new challenges.

The book has been rightfully named “Unfreeze”. The most common technique followed to deal with the crisis was “freezing” of the economies. So there is need to unfreeze economies and to put them on track again. This book is about how to unfreeze an economy, and why this will be a public policy challenge.

The Book is well organized into seven chapters. It starts with an introduction explaining the concept of freezing and unfreezing of economies. For better understanding, rest of the book can be studied in two parts. Chapters 2 and 3 provides background for need of finding ways for unfreezing economies. It throws light on the health issues resulting from ongoing Corona pandemic and its effect on economies. It paves the way for discussion on models for recovery of economies and relevant approaches for the same in chapters 4, 5 and 6. Finally chapter 7 highlights the need to convert crisis into opportunity and adapt the new systems so that economies are always ready to deal with such crisis in future as well. The authors have recommended refined institutional structure based on private governance, permissionless innovation, and entrepreneurial dynamism to put economies on path to recovery.

In the first part, the authors have discussed in detail how the pandemic COVID 19 has pushed economies into severe health and economic crisis with the economies taking extreme steps of going for complete shutdown and freezing to limit the spread of virus. The people and economies are paying heavy price for the same. As a result, many economies are heading for very sudden and unprecedented recession. After

Covid-19, when the cost of economic freeze down became unbearable, the government decided to shake up the economy through the process of thawing up. Based on the knowledge gained during the Great Depression of 1930 and Global Financial Crisis of 2007-09, economist offered a sequence of policy interventions ranging from fiscal stimulus to monetary benefits in the form of tax cut and stimulus packages to kick start the economy but the response has been sluggish. The policy has resulted in huge Government debt. Economies are losing on two accounts- (i) Loss of business due to freezing and (ii) the burden of giving monetary relief and economic packages given. In order to come out of such crisis, there is a need to have sustained period of high growth over many years to achieve pre-Covid standards of living, repair government budget and scale down debt. There are two ways to do this. One way is a sustained centralized way involving use of planning and hierarchies to create ordered systems. Another way to use markets and other systems to co-ordinate social response to the crisis called decentralized system. In the opinion of authors, in initial phase of unfreezing the economies, centralized system will be effective but later on, Government needs to decentralize the whole process and give more freedom to entrepreneurs and let the invisible hand of the market restore the equilibrium. In the opinion of authors, fiscal and monetary stimulus is the wrong path and better approach is deregulation, followed by productivity reforms, labor market reforms, liberal innovation policy and tax reforms in the Square root process of recovery.

The authors have quoted “Joseph Schumpeter” suggesting “entrepreneurs or the profits seekers will be the wheel of change who sets the capitalist engine in gear, new innovations, new markets, new methods of production, new means of transportation, destroying the old patterns and creating the new one- this process “gale of Creative destruction” will be the guiding force for economy and production processes.

Hence, competitive markets are the source of discovering new things. So the role of the government, post pandemic, should be creating a suitable regulatory environment within which entrepreneurs compete and adapt. Restrictive regulatory framework will not incentivize entrepreneurs and restrict their adaptive capacity of unfreeze. Regulatory barriers restrict entrepreneur from adapting to new situations.

So need of the hour is to create resilient and robust economy giving more power and freedom to entrepreneurs to explore new products, new techniques, new platforms for work which are mutually beneficial to trade and economy. They have outlined three main principles to create robust institutions:

First principle is Permissionless Innovation: To create new innovations, experimentation by entrepreneurs is required which calls for free environment. So, the government should remove all the roadblocks to experimentation. The entrepreneurs should not have the fear of reactive regulatory responses.

Second principle is Embracing Institutional Diversity: To speed up the process of thawing the economy, government should decentralize decision making process to the lower level of jurisdiction. With each state having its own set of problems, same rules will not suffice to unfreeze at all levels. So each state and local government should be given more decision making power with respect to lowering taxes, lifting bans, privatizing certain areas of production, cutting down restrictions thus creating a polycentric system.

Third Principle is moving towards Private Governance: To enable the entrepreneurs to build new social and economic institutions, private governance including digital platform government should be promoted.

The book is a first attempt towards understanding of the economic and social turmoil caused by COVID 19. It has comprehensive discussion about the problem and authors are able to give thorough insight about the policy and regulatory framework needed to come out of the looming depression and to put economies on the path of recovery. Presently the governments are just trying to unfreeze the economies by doling out stimulus packages, monetary relief and accommodation. But economies are different. The idea of authors to compare process of freezing and unfreezing of economies with cryonics strikes the cord with the readers. Cryonics involves putting (recently dead) life in a freezer at cryogenic temperatures in a process called vitrification with the hope of reanimating it after a period, preserving cell

membranes, synapses and intracellular structure. Similarly, economies are also a network of various resources connected together through relationships, markets, agreements, and institutions, held together with trust and other government and regulatory frameworks. Therefore, three step approach namely freezing, thawing and unfreezing, for revival of economies is suggested. In thawing of the economies, out of sync systems will make way of new techniques which involve more automation, digitalization and less human interaction. Economies and work patterns will change drastically. It calls for proactive entrepreneurship and to support them, there is a need for permissionless innovation, institutional diversity and private governance. The principles as discussed in the book will provide guidance to policymakers for the pending unfreeze. The book is definitely worth reading as the authors have done thorough discussion in bringing out a framework to achieve long-lasting solutions.

The value added by the authors through their insightful discussion on the issue of unfreezing of the economies makes it an essential read. However, how different countries bring about changes in the systems and how economies respond will be a matter of further discussion.