

CDEIS Policy Brief 3, April 26, 2020

Economic Consequences of COVID 19: A Global Perspective

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COVID-19 is a shock for the global economy, society and polity. It has spread in 210 countries and territories and as per the world meter's statistics, there are 29, 21, 556 infected persons. Total reported deaths were 2, 03, 299 by April 26. Among the outcomes, the recovery rate is 80 % and 20% died by this illness. Since it is an infectious disease and until a medical discovery to treat it is not invented, the social distancing, masks, public and private hygiene are the institutional methods to tame the spread of it. To achieve this, the governments of various countries of the world, given the seriousness of the situation, applied lockdowns at the appropriate time. It has been observed that the economically advanced countries of the world delayed lockdowns and seems to prefer economy over the humans. However, the lockdown was used to control the damage already done with a view to control the public anger. This is the contribution of the democracy because the governments sooner or later have to face electorates.

The lockdown strategy has wider consequences for the global economy. It has resulted into huge losses because of shutdown of industrial production, tourism, transportation and trade. However, each country in its own way continued economic activity to fulfil basic needs such as food and healthcare. It is also pertinent to point out here that the fourth industrial revolution technologies which were slowly penetrating in the economic and social activities of the world economy prior to COVID 19 are now rapidly spreading its wings. Thus, the net result of this is that one third of economic activity is still continued even in the harsh times such as lockdowns.

The international institutions such as IMF and other rating agencies are regularly assessing the extent of the loss to the global economy. These institutions are revising the estimated losses and came to the conclusion that there will be a differential impact of economic losses depending upon the period of lockdown, control of the disease, exchange rate stability, resilience capacity and return of the global economy to a new normal. The unemployment rates of the workforce are higher than the levels observed during the great depression of the 1930s.

It is now clearly predicted that global economy is heading towards an unprecedented recession. The predicted rate of decline of the global economy in 2020 will be 3%. However, the IMF Chief Kristalina Georgieva admitted that this assessment is a gross under estimation

of the extent of the decline of the global economy due to outbreak of the COVID-19. It is true that most of the estimates are based on assumptions and methodology that can give results in the times of small changes but a big bang shock (COVID-19) is perhaps beyond the capacity of currently used analytical tools. The world economic outlook (WEO) released in April 2020 gives the idea of the recovery of the global economy in 2021 when the impact of this shock and uncertainty of COVID-19 will be over.

For estimating recovery of the global economy, there are three approaches currently being employed, that is, V-shape, U-shape and W-shape recovery. The WEO report assuming V-shape approach has shown that the global economy will bounce back at the rate of 5.8% in 2021. The highest rate of recovery will be in the emerging developing Asian countries at the rate of 8.5%. China and India will be the leading countries in terms of recovery rates, that is, 9.2% and 7.4% respectively. The European Union will be bouncing back at 4.8%. The Sub-Saharan African and Latin American countries will be recovering at 4.1% and 3.4% respectively. The world trade will also decline at 11% rate in 2020 but will recover at the rate of 8.4% in 2021. However, if the disease persisted a little longer than expected then U-shape recovery will upside down the predicted recovery by the WEO report. If this problem is once reduced and relapsed, then the recovery will be W-shaped. The IMF Managing Director seems inclined towards latter two approaches and thus, warned that the V-shape recovery is over enthusiastic estimates. The real world will behave differently than the rosy picture shown by the WEO report. The scholars, who have been evaluating the previous IMF records, have shown some substantial variations in the actual recovery and estimated one. Therefore, they challenge the estimates due to high error of margin and actual will be different from the predicted ones. Even the Reserve Bank of India has announced several monetary policy interventions for the revival of the Indian economy based on IMF approach of V-shape recovery will be upside down.

The UN institutions- International Labour Organisation (ILO) and Food and Agriculture Organization (FAO), have stated the plight of workforce that is expected to be displaced due to COVID-19 lockdowns, and countries' rate of poverty are expected to increase by 20%. In some countries like India, the large proportion of the workforce is engaged in the informal sector and their job losses will be much higher. Thus, the suffering of the workforce due to non-payment of wages and inadequate nutritional support will increase poverty and misery at a massive scale. Thus, the 400 million workers will slip below the poverty line in India as per ILO estimates.

The health care sector was caught unawares and is working under severe stress. If we look at the global position of the health care system, it has been more inclined to treat the life style diseases. The last four decades' public policy of liberalization, privatisation and globalisation has dramatically transformed the medical care from non-profit to profit making private occupation. It is globally driven by insurance policy. When the high risk and probability of higher failure rate in patient treatment is expected to occur, it fails to come up to the expectations. Thus, the whole burden of treating the pandemic suffering patients fell on the public health care system which was weakened due to budgetary cuts in the historical past. Apart from the shortage of equipment to treat patients and at the same time facing shortage of personal protective gadgets as well as inadequate supplies of essential medicines, the medical professionals are working under high risks. It is important to note that the early control and low impact of the COVID-19 has happened in those countries where the medical care system was well functioning and was also supported by spontaneous innovations of testing kits. These countries are a few in Asia and some are in Europe.

The COVID-19 is a global human health problem. Therefore, the global institutional response can better handle the situation. It is unfortunate that as described by the innovation scholar Luc Soete-a long term director of UNU-MERIT Netherlands, the global cooperative institutional arrangements are just collapsed. He warned the European Union to act collectively or they will disappear as a countervailing global power. The recent controversy surrounding WHO and the withdrawal of USA funding shows that global health system is not in a pink of its health in the times of crisis. The trade war between USA and China has already undermined the authority of the WTO. Therefore, each country is left to fend for itself. The business sector is mostly in the state of flux and keeping its eyes on governmental support. The governments of various countries of the world have designed financial package to salvage from the COVID-19 situation ranging from 20% of GDP of UK, 10% by USA and as low as 0.8% by India. However, the IMF has also extended helping hand to the developing countries with the proposal of loan of two trillion dollars. Keeping in view the shutdown and halting of economic activity, the proposed wide variety of financial packages are expected to be woefully inadequate to save the loss of economic activity.

After four decades of global consensus on economic policy driven by the market forces and dominance of private enterprises, the role of state came to a grinding halt. This has generated inadequacy of basic essential public goods such as health and education that generates externalities for the efficient functioning of the business enterprises and market economy. The economic impact of COVID-19 is so huge that a new consensus even among

the supporters of neo-liberalism has emerged that the state must intervene to tame the crisis and revive the economy. The corporates having sales-turn over revenue higher than many developing country governments' annual budget are asking governments to protect them now. Therefore, it is opportune time for the global governance institutions and national governments to change public policy to address the grand challenges of the 21st century. The most important among them is to provide adequate facilities in the public health care system for preparedness to care for human health, both in normal and pandemic times, without burdening the individuals. The health care system badly needs inventions and innovations that require engaging the talented scientists in public research institutions. The scarcity in research and development needs financing to be reversed. The education system is the backbone of innovative ideas and thus deserves equal attention.

The second grand challenge is the rising inequality of income and wealth that has been indicated by the various social movements that raises the question of 99% versus 1%. The rising global unemployment rates and falling share of wage income in the national income is responsible for this great divide. The global economic order should accept this challenge and devise appropriate measures to alleviate this kind of extreme deprivation. In this context, the taxation system needs revamping to ensure progressively equitable outcomes. Above all, the most important for the survival of the humanity on earth is the environmental challenge. From the last four decades, the United Nations led initiatives to address global environmental challenge has relatively remained unsuccessful. The most devastating shocks like hurricanes and pandemics are the product of excessive greenhouse gas emissions due to economic activity for fulfilling the greed of profits. A principle developed by the father of the Indian nation-Mahatama Gandhi-is that 'the earth has enough resources to fulfil the basic needs of the human beings but not the greed's of the human beings' needs to be put in practice. The challenges of 21st century needs new frame of global institutional structure and arrangements that diligently should be able to develop capabilities and take affirmative actions to match the effects of grand challenges. It is high time to retrain the workforce and redeploy it in economic activities that will fulfil the basic needs of the population and revive global aggregate demand, supply and sustainable development.