“Grim situation of the world due to COVID19: economic perspective”

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GRIM SITUATION OF THE WORLD DUE TO COVID19: ECONOMIC PERSPECTIVE

Abstract

Besides human death economic catastrophe, which has already been started around the world due to COVID19, a question arises how to tackle the devastating nature of this pandemic. The study is basically done based on secondary sources. Time period of the study was up to April 6, 2020. The study tried to get a conceptual view for time demanding collaborative effort among the global arena so that this pandemic cannot make long-lasting devastating impact on global economy. The study also did a small opinion poll survey by email/cell phone, land phone, and personally asking by maintaining social distance among 108 respondents considering three segments of the income strata of the people in Bangladesh. Based on the respondents replies, Figure 2 was drawn, which is shown in Appendix.

Keywords COVID19, aggregate supply shock, aggregate demand, unemployment, informal economy, joint analysis of fiscal and monetary policy

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The world is going to grim situation arising from pandemic of COVID19. Not only people around the globe died but also there is dysfunctional macroeconomic scenario. Both aggregate supply and aggregate demand shocks have gradually become acute in the world economic scenario. Starting from the health sector to the food security, everywhere COVID19 is creating an alarming situation. Gravity of the situation puzzled everyone in the world. But there is not vaccine or any medicine to treat the COVID19. The epidemic started from Wuhan in China in December 2019. COVID19 will have both short- and long-run dynamics in the global economy. Even in such developed countries as China, USA, Italy, Spain, Iran, and UK, hospital system could not respond for proper treatment facilities as a huge number of patients need help. The uneven crash on healthcare personnel and shortage of suppleness in the arrangement generate a cruel sequence so as to put it together.

Now question arises how to at least lower down the adverse impact of COVID19.

An objective of the study has been undertaken how to minimize the adverse impact of COVID19 among the humanity with special consideration to the global economy.

The study used secondary sources. Exact references will be mentioned. Time period of the study is April 6, 2020. The study is conceptual.

In difficult to fetch the epidemic beneath management, even in the USA, as stated by Knibbs (2020), as doctors and nurses address the

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pandemic, they are facing an unprecedented global crisis, a lack of resources, and a fight to save their lives. Actually, the rate of grim situation of the world is raising in an alarming way at an exponential growth rate. On April 6, 2020, 19:17 GMT (Worldometers, n.d.), coronavirus cases were 1,330,461 and number of deaths were 73,870. Unfortunately, the rate of death is rising at an exponential rate.

Not only recession but also devastating impact on the economy in the long term will prevail. Except for World War I and World War II, such an impact on global economy was never felt. Twenty million people died during World War I, while in World War II, around seventy to eighty-five million people died. Yet, the number of people died due to COVID 19 is still very low, but socio-economic impact is much larger. Rather it may be more severe than both the world wars. Large uncertainty with both supply side shock and demand side shock will prevail.

Politico (2020) commented that more than 6.6 million U.S. workers filed new claims for unemployment benefits last week, on top of 3.3 million a week earlier, marking unprecedented devastation across the labor market. This is actually around ten times greater than the largest weekly increase during the global financial crisis. Crude oil price also declined in the world. Stock market crashed in different countries.

Aggregate demand undergoes as customers/expenditures. In the majority of affected segments, several organizations closed down and insolvency rise all through, and provide for a self-reinforcing descending twist. The economic structure suffers greatly, other than a complete crisis both in money and capital market turn away since the macro prudential management are not working under such pandemic. Macro economy destabilizes, and micro foundation of macro economy will be weakening. The economic breakthrough reply demonstrates inadequate to split the descending twist. The worldwide financial crash is harsh and imminent, like the worldwide 2007 economic crisis. Gross domestic product will decline, and unemployment is likely to rise while purchasing power capability will decline, i.e., inflation rate will rise. In some countries, deflation may start as stagnation in the country will start. Financial infectivity at this time spreads as quick as the illness itself throughout the globe. Transmission of disease leads to financial expenses that increase a great deal, and envisage the trail in front turned into almost impossible, as manifold extent of the disaster is consummate and inexplicable. Figure 1 describes possible global economic impact of COVID19 as per Rabobank, Macrobond. However, the scenario is greatly changing at an alarming rate, as still the impact of transmission of disease has largely been rising and switching from one country to another.

Source: Rabobank, Macrobond.

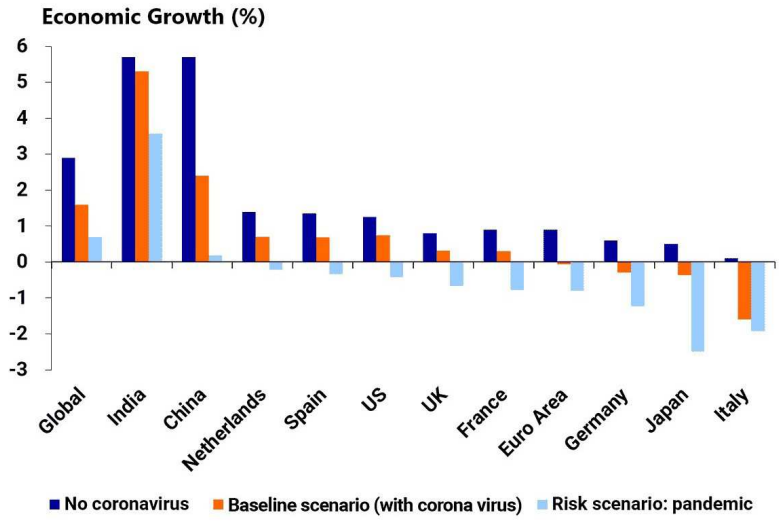

Figure 1. Global economic impact of COVID19

Shrivastava (2020) described that COVID19 deadly disease is troublesome for global supply chains and global trade. He also argued that with nearly 100 countries closing national borders during the past month, the movement of people and tourism flows has come to a screeching halt.

Thomas Schaefer, Germany's Hesse state's finance minister, committed suicide after becoming worried over financial crisis due to COVID19 on March 28, 2020 (Euractiv, 2020).

Nusrat and Hasan (2020) depicted that worldwide collaboration may be at risk though what we are hearing today is that we must all be together in this fight for continued existence against the virus. Delkic (2020) quoted that this is by now determining as the deepest jump on evidence for the worldwide economy for more than 100 years, which was mentioned by one of the Harvard economists, adding that if it lasted long, it would be "the mother of all financial crises."

A larger section of the poor people of the world may be in a situation like exchange entitlement theory, food is available but people do not have the purchasing power. COVID19 is also connected with psychological illness.

Lockdown, curfew, shutdown, significant quarantines, tour limitations, social isolation, maintaining distance, staying at home, etc. forced a quick fall in customer and production, hampering overall socio-economic structure of the world. This will lead to debacle of domestic, regional, and global value chains. Productions has been greatly hampered. Purchasing power capability has been largely destroyed. Consumer durables cannot be utilized properly. Shock led to a decline of gross domestic product, even in some countries in negative factors. To assist business and employees' agreement with the financial crash due to the pandemic, global leaders and national leaders need to work under collaborative effort. Accommodative fiscal response may demonstrate inadequacy in defeating financial harm of the global economic disorder. Monetary policy will have limited impact on the economy, though it may relatively work better than the fiscal policy. Digital policy, robotics, use of artificial intelligence and innovative skill may strengthen to build in a mass employment additional prolific and an enhanced value for employees themselves. But this also needs proper education and learning process for unskilled people. This was greatly disturbed by the COVID19.

A larger share of the people lives under unofficial segment in Bangladesh. There is no lawful shield for unofficial segment of employees. Starting from fisheries, poultry industry, milk, vegetable cluster, beef fattening, livestock, everywhere around 245 million people (Daily Star, 2020) in the SME sector in Bangladesh are jobless at this moment. It is a tough challenge to create the workplaces for them and they will become unable to purchase anything. It is necessary to improve the operational environment of dependent employees, somewhat than ongoing to make believe so as usual, proper, constricted service is the method, so as community desire, otherwise smooth be supposed to would like to be paid a livelihood. The unofficial segments have been working as the major force of service intensification in Bangladesh for a long time, gripping to get higher amount of city citizens. For more than 11.4 years under present government, this unofficial sector in Bangladesh played a key role in the economic development of the country. Already prime minister of Bangladesh asked for the list of the landless and have not's groups list to give the relief. A richer stratum of the country should come with the help of two types of funds to strength Prime minister's desire:

1) a special public fund, which became pauper due to COVID19;

2) a special Jakat fund for the poorer stratum of the country, which may be given before.

Bangladesh Govt. decided to take bailout plan for Bangladesh Taka 727,500 million to rescue from the fallout due to COVID19, which was unveiled by the Prime Minister of the country Sheikh Hasina on April 5, 2020 (Daily Star, 2020). This bailout plan is quite exemplary but needs appropriate execution without any sort of corruption. More emphasis should be given on the Central bank (Bangladesh Bank) to use the monetary policy along with the fiscal policy by the National Board of Revenue, and non-con-

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ventional measures in the area of the Cottage, small and medium enterprises in Bangladesh, as the Government of Bangladesh initiated proper planning, which needs to be implemented without any hindrances. Medical Robotics should be prepared by the local entrepreneurs to help health professionals. Kit should be produced locally. All medical equipment like ventilation machine, essential drugs, and basic health necessity products should be produced in Bangladesh. BGMEA (Bangladesh Garment Manufacturers and Exporters Association) leadership in Bangladesh was failed to perform innovative business ideas to cope with the global need during the era of the COVID19 outbreak in China. In this regard I would like to draw attention to the article, which was written by Besely et al. (2020), which remarked that the Government of United Kingdom should be congratulated for putting together a bold package that helps provide for the under-privileged and vulnerable in our society, keep businesses afloat, and keep credit and liquidity flowing in the economy in coordination with the Bank of England. Meanwhile, Romer and Garber (2020) argued that if they keep up their present process of suppression regarding indiscriminate maintaining social distance from 12 to 18 months, then most of them will still be alive but the economy as a whole will be dead. Romer and Garber (2020) discussed based on the advanced economic country's perspective but the situation will be much more grim for the countries like lower middle income countries where also high population density have been prevailing. There is every chance of famine along with great stagflation in the world economic scenario. Keeping employment along with come out from the pandemic scenario are the most vital issues for each of the affected countries.

Ramzan starts so that community can develop own model to survive through producing under the local economies and arranging for livelihood rather than exporting but alternatively arranging import substitution process. Starting from the services sector to the manufacturing sector, everywhere not only joblessness will be created but production also greatly hampered. Share market in Bangladesh is closed down due to COVID19. However, banks are doing routine job as a part of emergency services in Bangladesh. Richer stratum should donate more funds in Bangladesh. Ventilation machine should be produced by Walton, Singer, and Transcom in Bangladesh. Robot producers in Bangladesh should come forward to produce medical assistant robots for the country to help medical assistantship. Drones may be used for the agricultural sector for uninterrupted production in the country. World Bank, IMF, Asian Infrastructure Investment Bank should come forward to help Bangladesh. BGMEA should come forward to produce PPE, masks considering both local and foreign demand and earn valuable foreign exchange income. Gloves, goggles, hand sanitizers, etc. should be produce on a large scale and be available at a fair price. Those who are exporting robots at abroad should come forward to produce medical assistance robots so that healthcare personnel become in a less vulnerable situation. Except for China, the worldwide economic scenario will be declined due to lack of preparedness of such devastating effect of COVID19.

A motivational factor may create opposite to the dependency theory so that capital cannot flow from the periphery to the center rather confined for the survival of the poorer stratum and an immature condition is to a "core" of rich condition cannot be fulfilled so that it may be unable to inspire the latter to become rich at the cost of the previous one. Bangladesh Bank has taken some steps but use of the financial sector as a whole for the nation needs strong integrity. Monetary and fiscal policy, along with policies for informal sector in Bangladesh, are very much needed. Not only RMG sector but also frozen food and leather and export sector as a whole greatly disturbed due to COVID19. Imperfect information creates not only panic but also it is quite unclear to forecast the gravity of the economy, which is not in the hands of human being. Systematic and unsystematic risks as well uncertainty are prevailing in the economy. This is also assisted by the uncertainty in the financial sector. Now both the monetary and capital market do not function. Disruptive innovation at the local level is required as both check of the disease and economic employability and redistribution of the production should simultaneously work. Not only supply side shock is going on but also demand side shock is prevailing. This is true for the entire globe. To overcome the shock, not

only fiscal and monetary policy is sufficient but also non-conventional measurers considering the informal sector are very much needed. Resilience of the informal sector is very much needed. Those who are the greedy still are in search of making super normal profit.

From the individual point of view, as a human being, we should come with basic micro factor to get out of this "COVID19 deadly disease" supplied to every part of us to do our small piece of input sensibly and hold the Government of each country in its zeal to struggle this tedious outbreak. The sooner protective vaccine will be available that will be helpful for the human being. But the economy needs stimulation both short- and long-run policies and it may take at least 2 to 3 years to recover the present devastating human miseries. One change in the economic policy should be felt that depends on import substitution of industrialization process rather than putting more emphasis on export-oriented strategies. More emphasis should be given on equal distribution of benefit so that at the hands of the richer people cannot block the wealth. Diversity of distribution of wealth among the nation wise people for survival is must. Both developed and underdeveloped countries both have been facing trouble due to this outbreak, except for China, rather they have the opportunity for doing great business.

Only collaborative effort from the global leaders can diminish the worsening impact of the COVID19 in case of economic, social, and health shocks. As such, all political leaders should take collaborative steps to check health security and preparedness for gravity of the situation after shock period is over. United Nations should play a stronger role, and they may arrange a video conferencing of the General Assembly of all 193 states to discuss the matter urgently. Also World Health Organization's role should be proactive. Actually, the economic impact around the globe will have both short-run and long-run impact. As such starting from food security to industrial production with proper healthcare and safety of human being is needed. Otherwise not only recession will be strengthening but there is a chance of famine. Those who are working at the oil-based Middle East countries, may be jobless due to not only COVID19 but also sharp decline of the price of the crude oil. Behavioral pattern of the human being is also changing, as there is uncertainty to live in this world.

An integrated effort among the worldwide countries is needed to stop greediness rather putting an emphasis on collaborative effort to decrease shock of aggregate demand and supply. Information symmetry should be readily available to save human being of the world, and market imperfection should be reduced. Moral hazard should be at least reduced as such the danger of a revelry has not entered into a conformity in fine confidence or has provided deceptive in turn concerning its possessions, legal responsibility, or praise ability among the countries. Without global collaboration, the world economic order cannot be improved and come out from the macroeconomic destabilization process, which has already been started. Both United Nations and World Health Organization's should work with due diligence. Behavioral economics will work out more valuable rather than the main stream economics to get rid of this calamity. Along with Government, scientists, doctors, economists, business personnel, producers should work to save the world from grim situation.

END NOTE:

Central Bank of Bangladesh: Bangladesh Bank

1 Crore = 10 million

1 EUR = BDT 91.73

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APPENDIX

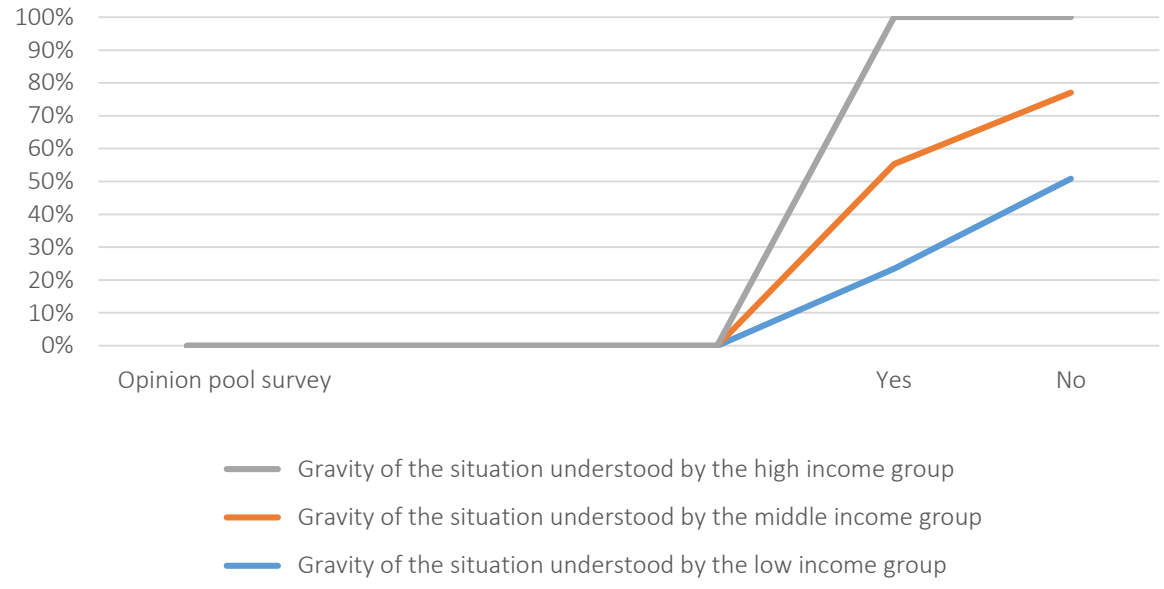

Figure 2. Opinion pool survey in Bangladesh