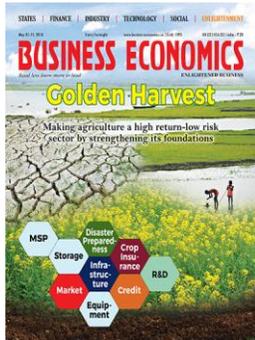


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Life or Livelihood? Challenge before rich and poor countries

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Advanced countries of the world in Europe, North America, and the Pacific have all been humbled - almost at around the same time. Their economies have been badly hit. China has been identified as the origin of the previously unknown disease, now labeled as the Novel Corona Disease of 2019 (Covid-19). The first reported case was in December 2019 from China's Wuhan province. The spread of Covid-19 to the rest of the world has affected more than 15 lakh people and resulted in nearly one lakh deaths. The figures are likely to go up. China had announced Wuhan's 76-day lockdown on January 23, 2020 to break the chain and the lockdown was lifted on April 6 as the spread and number of new cases fell to zero with no new deaths.

There have been suspicions all along in the US and elsewhere that the news of the outbreak of the Covid-19 in December was suppressed by China and the rest of the world was deliberately kept in the dark. The world was taken by surprise when the pandemic spread swiftly with disastrous consequences in Europe, particularly in Italy and Spain. However, the reported suspicion regarding fact suppression by China is yet to be substantiated.

It has been reported that China has been successful in the containment of the virus. The communist regime has enforced the lockdown with an iron hand - which many other democratic countries have failed to do. Japan, one of the most open, democratic societies and also one of the most disciplined nations in the world found no alternative. It had to declare emergency effective from April 7 for one month, covering most of Japan's densely populated metropolitan areas —

Tokyo and other neighbouring six jurisdictions which have a combined population of 55.9 million.

Byproduct of globalisation

Economic analyst Zachary Karabell recently wrote in the *Wall Street Journal* in an essay titled ‘Will the Corona Virus Bring the End of Globalization?’ that the Covid-19 pandemic is “a negative byproduct of our hyper-connected world.” In the past, countries were truly like islands. With restrictions on travel, movement of goods, services, capital and migrant labour in search of work, viruses did not have opportunities to skip from country to country.

Economic liberalisation followed by free trade and movement goods, services and movement of capital and labour was fully exploited by China. Its growth has been due to its overtly export oriented approach. The dictum of Deng Xiaoping, the great Chinese theoretician is often quoted explaining China’s emergence as the most dominant global economy. He had famously stated, “It doesn’t matter whether it’s a black cat or a white cat, if it catches mice it’s a good cat.”

China adopted the capitalism of the West for growth but rejected democracy for governance. China used capitalist tools for domestic production and exchange with the rest of the world and by inviting foreign direct investment in consumer goods, purely for export and exploiting free trade conditions. It beat Japan to a third place in late 2010. Now, it is the second largest world economy.

Impact of Covid-19 on the world economy

A *Wall Street Journal* sponsored study, undertaken by Moody’s Analytics and released in early April revealed the extent of damage in terms of life and livelihood which never “occurred on such a wide scale over a short period of six weeks” from late February to March. The losses to the global GDP due to this pandemic are estimated to be between \$ 2 trillion to \$ 4.1 trillion or between 2.3% and 4.8% of the global GDP.

America which grew by 2.1% in the fourth quarter of 2019 and by 2.3% for the 2019 fiscal has been devastated by this crisis. A Wall Street firm Evercore on March 1, predicted zero growth in the second and third quarters of this year and called it the ‘U.S. Virus Recession’. A fall in GDP in two consecutive quarters typically defines a recession. Forty-one states out of 50 American states closed restaurants, universities, gyms, movie theaters, boutiques and millions of non-essential businesses. The outcome of these measures was that the daily output fell by 29% in first week of April compared with the first week of March. On April 3, the Evercore revised its March estimate and predicted a 50% drop in GDP in the second quarter of this fiscal and an unemployment rate of 20%. Eight out of ten counties, which account for 96% of output in America, are now closed down.

Regional growth

The Asian Development Bank’s (ADB’s) publication, *Asian Development Outlook 2020*, which focuses on Asia and the Pacific, has informed that regional economic growth in developing Asia would have a steep fall in 2020. Excluding Hong Kong, the Republic of Korea, Singapore, and

Taipei, which are the newly industrialised, the developing Asia is expected to grow at 2.4% this year as compared to 5.7% in 2019. China is expected to experience a sharp contraction as industry, services, retail sales, and investment are all affected and its growth would decrease to 2.3% this year. For India, growth will be very modest as benefits from the recent tax cuts and financial sector reforms would be offset by the spread of the pandemic.

The estimated economic loss is due to a fall in demand because of a fall in income due to layoffs. It can also be linked to the fall in production as manufacturing units are closed due to lockdowns. The ADB has made it clear that their estimates do not take into account supply disruptions due to suspension of transport services, interrupted remittances, urgent health care costs and potential financial disruptions and effects on education.

Priorities before governments

That brings us to the debate on the priorities before policy makers all over the world: saving lives or livelihoods. Many of the governments in Europe and UK are reconciled to the fact that economic loss is imminent and one has to grow through the “phase of atonement of sins of failure to adopt an easily accessible health and medical services and lack of preparedness.”

The US is well known for its most expensive medical service system which is beyond the reach of the poor. In an election year, President Donald Trump is keen to have a high poll rating, which he knows is presently poor, because of heavy loss of lives and jobs. He had hoped that the virus would vanish by early March and the economy would revive by Easter Sunday (April 12), based on his massive fiscal stimulus. In fact, it is now projected that on Easter Sunday, the US would have the highest number of deaths.

Medical experts have warned President Trump against any premature re-opening of the economy. “It isn't like a light switch, on and off,” said Dr. Fauci, a member of President Trump's Covid-19 Task Force. He warns, “You make sure you are absolutely going in the right direction. You gradually come back. You don't jump into it with both feet.”

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