

Comment

The World *viz-a-viz* Covid-19 Pandemic — Which Way Is A Way to Temple?

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The contemporary world is witnessing a deadly pandemic whose outcome till date has played havoc on the world economies and has rendered businesses, industries, and societies to a grinding halt. There exists even a greater danger that devastation of economies may eventually lead to conflicts within and outside the periphery of borders.

The world will continue till its very end and humans will have to live with wars, pandemics, and natural calamities. Two ‘social’ institutions so far have remained the most fundamental for a rather un-bumpy time-evolution of any society, viz. (i) Institutions producing ‘manpower’ (i.e., educational institutions); and (ii) Workplaces run by ‘manpower’ (such as businesses, trade, industries, and military).

The role of manpower in running public and private institutions will not diminish anyway anyhow. Cutting edge technology and scientific approaches to satisfy the needs of mankind will increase by every passing moment. The mode of working at the offices is changing fast and number of people working at home for offices is progressing and will continue to escalate with the passage of time.

The society is at the middle of fourth industrial revolution and indeed, at some places preparation for the commencement of the fifth industrial revolution has already begun. The recent outbreak of novel corona virus is leading to high degree of automation in the society and highly scientifically trained manpower is fast replacing the absolute redundant workforce resulting in more unemployment. It looks that the use of artificial intelligence (AI) will increase manifold and cobots will co-exist in every sphere of life leading to the start of the fifth industrial revolution in the society sooner than expected.

The negative economic impact of the pandemic is a direct consequence of the lockdown and reduced circulation of money resulting

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in the operation of the multiplier in the opposite direction due to reduced spending. Disruptions in supply chains and illness related work force reductions have curtailed output and decreased productivity adding to the misery of the industrial and the services sectors.

The economic meltdown transpiring in the world economies is a consequence of negligible, low and in some instances negative economic growth of GDPs. Extreme weather owing to environmental damage, trade wars, recent border encounters between China, India, and Pakistan as well as lurking uncertainty in the Middle East and Hong Kong have dampened hope for peace and economic prosperity. Contraction in exports, sluggish resource mobilization, and uncertainty have added to the woe. The services sector remains the worst affected by falling tourism, revenues and reduced mobility in the transport sector i.e., air, rail, ship, and road transportation. If producers do not produce according to economies of scale then there is a risk that businesses would run into loss leading to failure and closure. Once the opportunity cost of doing business is lost, the trade-off cost of what has been lost, and continues to be lost, would be very large.

Interruption in social activities like marriage gatherings, club activities, as well as closure of educational institutions, places of worship, sport events, and community services has led to decrease in revenues causing excessive burden on the financial and the business sectors.

The world has observed boom after every recession. The possibility of quick recovery is there but what if the virus has already spread further than is generally assumed. Three positive outcomes can be and large projected: the fatality rate from the virus is lower than generally assumed; the real number that reflects the future spread of the infection decrease by a degree of immunity in the community (herd immunity); the sanguinity of the life to return to the normal is greater. The nitty-gritty is that one cannot tell for sure how far the virus has spread because those tested are prodigiously those with symptoms; but the asymptomatic may be very numerous. Perhaps more time and data will show the truer picture.

The pandemic has affected the supply side and due to the non-supply of essential items, the demand side too is affected. Scale of government spending to offset the impact will be limited as the wheels of the economies are at a standstill and extra expending without income generation will result in deepening economic crisis. Thus, the gap created between income and revenue will widen leading to shortfall in budget that would lead to colossal loss.

Massive scale in government spending after the end of World War-II, during the era of great depression, was the approach that governments adopted to move forth the wheels of the economy which induced momentum in the markets that resulted in gearing up of their respective economies.

At present shortfall in revenue in public sector, liabilities and debt will rise greatly as they invariably do after wars and calamities. Thus, due to the ongoing pandemic the liabilities relative to our national earnings are bound to increase manifold as we are passing through this crisis putting huge pressure on the world economies – as invariably happens after large scale conflicts and wars.

In the meanwhile, extra government spending cannot tackle the level of degree of difficulties faced by the bond markets and simply extra government debt insurance may not resolve the macroeconomic issues. Expansionary monetary policy pursued by the State Bank to expand its purchases of government bonds through necessary fiscal response may avoid bond market indigestion for the time being. It is in this perspective that governments have to take decisions both at the fiscal and monetary level to spur up economic activities.

Worldwide mass unemployment has led to panic and instability in the labor markets. The respective governments should adopt a fairer economic policy to avoid chaos in the society and come up with the plan to support unemployed people. Governments need some strategies at the grass root levels for providing sustenance to poor income families. However, massive spending by the government needed to support the poor and low-income classes does create a permanent drag on the economy. The solution to this is through diverting funds from non-developmental expenditure and encouraging non-governmental organizations to expand and expedite their networking throughout the masses.

Pakistan's perspectives

Pakistan's economy has shown resilience under trying circumstances since its inception. Even under extreme global crises, it has stood steadfast and has surprised its adversaries. However, in the recent past unbridled increase in population, high inflation rates, mass unemployment, increasing cost of production, substantial devaluation of rupee coupled with huge debt servicing and rise in military expenditure, massive corruption, poor market performance as well as continuing economic instability have all taken their toll. Moreover, terrorism and border conflicts continue to mar economic progress as huge funds meant for development are spent for non-developmental purposes. In recent years, shortfall in revenue, heavy dependency on loans as well as contraction in the economy due to internal and external

factors has constricted money supply leading to poor economic performance. Pakistan's deficit and poverty rate will continue to mount in the coming days due to the ongoing pandemic and if the present trend continues, the current poverty level that is 24.3% would rise to about 44.6% of the total population.

Under the present evolving situation, smart lockdown seems to be the only viable option open to the government. As the economic situation continues to deteriorate with prolonged closure of livelihoods in metropolis the bulk of the labor force has returned to their native places where they have shelter and availability of food items. The size of the informal sector is relatively large in Pakistan and constitutes around 40% of the economy. The black economy cushions the economy to quite an extent and provides employment and livelihood. The informal sector comprises of small and medium size enterprises which thrive in and around the rural and urban centres. In this period of pandemic, the informal sector has suffered extensively rendering a large labor force jobless contributing to mass unemployment and poverty. Hence, during the pandemic it has become necessary for the government to fund a meaningful source of income for supporting poor suffering families. The government should speed up its efforts to keep the economy moving by pumping some funds for development and reconstruction as well.

After the implementation of the 18th Amendment, there has been decentralization of health ministry that lacks singular direction either from the center or from the provinces in the status quo creating snags in the management of the pandemic. The mass majority of the illiterate class continues contributing to the spread of the virus as they keep mingling instead of maintaining mandatory social distance. Pakistan happens to be the fifth most populous nation state yet lacks proper health infrastructure and facilities to cope with the spread of the virus. Now with the increase in Covid-19 infections and growing mortality rate the economic plight of the common people has worsened and the economy continues to suffer. The government has partially opened the public transport and the markets. Any misadventure could lead to multiple increase in the number of infected persons resulting in colossal loss of lives. That is why it is all the more important for the federal and the provincial governments to synchronize their efforts in a more robust and consolidated manner to abate the menace of the disease.

Leaving behind the narratives, one thing is certain that the entire world economy is in deep recession and like others, Pakistan's economy too is under pressure. An economy facing recession is likely to

experience a drying up of liquidity with falling GDP. Consequently, prices will rise owing to inflation. In Pakistan, the marked slowdown of economic momentum has added to the existing woes and the International Monetary Fund, the World Bank, and the State Bank of Pakistan have predicted adverse GDP growth for the present and consequent years compounding the financial crunch further. To make things worse the circular debt at present has soared from Rs1.14 trillion in August 2018 to a current amount of Rs.2.4 trillion in the first half of 2020. Dangerously, we are accumulating an average of almost Rs.2.0 billion a day every day of the year. Bad governance and heavy dependency on loans stagnate progress. National cohesion and the will to tackle the situation collectively will definitely play an important role at this juncture. For this to materialize economic policies must pivot around democracy, federalism, and egalitarianism as per the charter of 1973 constitution.

Conclusion

Some conspiracy theorists are of the view that the truth behind the virus itself is a politically designed agenda manifestly undertaken to alter and control the world economies. Whatever the case – the rapidly unfolding situations warrants dynamic decisions with the changing dynamics of the world situation in the era of pandemic and beyond. The government only through astute planning can wisely implement its decisions to mitigate economic, political, and social loss. The present world scenario merits implementation of sound decisions by the respective governments and the road to success is through key public policy to overwhelm the current predicament.

Nonetheless, the pandemic could have deep long-term economic aftermath. The ongoing situation is likely to have a major effect on globalization and global value chains, and it could bring about a rethinking of the social associations as well as change the role of states in major economies. The key to success is perhaps through upholding country's autonomy under adverse circumstances.

Chaos in the society leads to uncertainty and uncertainty kills – it is neither good for the business nor for the economy. Uncertainty erodes masses confidence and is detrimental for growth and development both in the short and the long period. One cannot for sure tell how long the pandemic will last and how much damage it will wreck in the coming days. There is no easy answer to this. Only time can tell how things will unfold in the near future.