

POST-CORONA WORLD: IMPACT ON GLOBAL ECONOMY

Prof. Dinesh Kumar

Department of Economics

Ch. Charan Singh University, Meerut

Email: dineshccsu@gmail.com

Divya Sharma

Research Scholar

Department of Economics

Ch. Charan Singh University, Meerut

Email: tyagi.div@gmail.com

Abstract

After two years of lockdown, tragic loss of many lives and fall of the global economy several questions are raising in this uncertainty, will business reopen and jobs are back? Will we travel again? Will the money from banks and government will help to prevent recession? In a globalized world where borders do not matter previously now they matter suddenly as countries hold on strictly face masks and medical equipment and struggle to source supplies. The economic system we construct after this pandemic will have to be less short-sighted, more resilient and more sensitive to the fact that economic globalization has far outpaced political globalization. There are fundamental changes that take place from time to time often during times of war. Though the enemy now is a virus and not a foreign power, the COVID-19 pandemic has created a wartime atmosphere in which such changes unexpectedly seem possible. Wartime brings people together not only with in a country, but also between countries as they share a common enemy like this virus. This pandemic is also bringing us together in countless zoom get-togethers. Suddenly the world has become smaller and closer. Since we are all on the same side in this war, we may find the motivation to build new international institution and facing better risk-sharing among countries. The war time atmosphere will fade again, but these new institutions will continue.

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**Prof. Dinesh Kumar,
Divya Sharma**

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The Global Economy from COVID-19 has shaken more severely than the 2008 global financial crisis. In the previous disaster stock markets collapsed by 50% or more. Credit markets froze up massive bankruptcies followed, unemployment rates soared up and GDP came to 10%. It will take around three years for the world to pay out. Similarly in the present crises markets are down 35%. The GDP of US has fallen to 30%. The unemployment rate could skyrocket to above 20%. At present all economic activity has shut down as during World War II. The world economy is on a path to recession. The financial markets now ascribe significant disruptive potential to COVID-19 and those risks are real. But the variations in asset valuations underline the significant uncertainty surrounding this epidemic and history cautions us against dreaming a straight line between financial market sell-offs and the real economy.

Now the question arises what should leaders do in relation to economic risks? Financial markets are currently reflecting great uncertainty. A wide range of scenarios remain plausible and should be explored by companies. You have to focus on consumer confidence signals, trust your own instincts and know how to leverage your company's data in calibrating such insight. Plan for the best and prepare for the worst trajectories. Begin to look past the crises. What legacy will COVID-19 have? What opportunities or challenges will arise? Can you be the part of faster adoption of new technologies, new process, etc.? Can you eventually find advantage in adversity for your company, clients and society?

COVID-19 has created cold war kind of situation between the United States and China. India is siding with the US. The tension is increasing as America is a democracy seeking to exercise global imperial control even though China and Russia keep it in check with their military and economic power. With the massive skilled labour power, its deft handling of global process China has overcome the US in reaching out to global markets and captured even America's home markets with its goods and commodities. China has used labour power socialism to control the market in Asia and has created its own brand of consumerism in Europe also. China has made Marx's dream true of combining labours, skill and science and created a new world order which has made better human life Possible. Now, the corona virus pandemic has created crisis on consumerism. In India too despite anti – China sentiments government could not stop the expansion of Chinese goods in the market because Chinese products helped low income groups improve their standard living. Now, China has said to be the birth place of Corona virus which is uniting its enemies - the US, Japan, India, Australia etc. but can they stop Chinese goods going all over the world, including their own countries, in the Post – Corona

world? The cold war between US President Donald Trump and Chinese President – Xi Jin Ping does not resemble the Cold war between US and Russia in 1950s-70s as USSR did not have accesses in the household and kitchen market. It was the major supplier of weapons only. China on the other hand has used ‘socialist, organizational skills to cultivate the quantity and quality of its labour power which is 1.4 Billion. As a result, with its affordable products China has changed the lifestyle of the people all over the world even in African Countries. The present Government in India is saying to take place of China in world markets but India has to introspect, had they prepared for this challenge? Can India produce goods and commodities as cheap and durable as China? Are Indian labours as much skilled as China? The Present Government has given much emphasis on cultural nationalism ‘Hindutva’ but never thought of improving the skills of labour force whereas Chinese Confucianism, Buddhism and Marxism believe in human equality and dignity of labour China and India shared borders but they never shared cultures. Chinese rural industries are capable of producing goods for all types of cultural and commercial markets. Where do the rural Indian industries exists. Indian Prime Minister Sri Narendra Modi talks of empowering cottage industries but where is skilled labour in rural India to produce goods and commodities according to the demand and taste of global market?

The Present Indian Government or the past one have never realised that from 1970 onwards China has revised its school education and had taught theory and practical as a combined curricula. What is our education agenda? To teach mythology as a modern science but to apply the knowledge countryside is not seen as a part of Indian ethos. Therefore, we have to unlearn many things and re-learn many new things which are not now seen as a nationalist. Thus, instead of supporting Trump, who is a businessman with an election at hand India should give more emphasis on developing its rural industries. The 40 Million labour migrants indicate that people from villages had gone to big cities for jobs in the factories as labours. They did not see any future in villages. But now their returning home town and villages are raising money questions before the Govt. yet to answer.

As the Govt. is planning now to start industries and factories to raise its economy and GDP but the problem now the capitalists will have to face is the lack or shortage of labours as majority of these have migrated. They will not come back soon because of the hardships they had suffered is their homeward journey. Many of these have decided not to return. They are planning to stay home and do job in their hometown. Now it is going to be a challenge to the state Governments. The states from where the expertise labours have migrated,

they need the substitutes as well the states esp., M.P., U.P. and Bihar where the majority of labours have come back, have to make arrangements for their food, jobs and lodging. These states have to generate opportunities for them as to utilize their skill and experience which appear difficult at present. Excluding labour, Industries cannot start so State as well as Centre Government should be alert about it. They have to face difficulties in persuading and calling labours back to their original work after lockdown.

It is unbeatable that by the end of 2021 the global economy will already have lost at least \$ 5 trillion. Though the post corona virus financial architecture may not take us all the way back to the pre-globalization era but the damage to international trade and finance is likely to be extensive and lasting. The gap between rich countries and the rest of the world in their resilience to crises will widen further. Economic nationalism will increasingly lead government to shut of their own economic from the rest of the world now and for a long time to come. Central banks have become entrenched as the first and main line of defense against economic and financial crises; they are prepared for this new role after COVID-19 is over. It is to keep in mind the longer we sustain the lockdown, the deeper the economic scars and the slower the recovery. The economic dislocation wrought by the pandemic, will change the future composition of GDP.

The world economy still grappling with the Covid-19 crisis, the external outlook is highly uncertain. Economies depending on badly affected sectors, such as oil and tourism, or reliant on remittances, could see a fall in their current account balances exceeding 2 percent of GDP. Such fatal shocks may have lasting effects and require significant economic adjustments.

Countries with flexible exchange rates would benefit from continuing to allow them to adjust in response to external conditions, where feasible. Foreign exchange intervention, where needed and where reserves are adequate, could help alleviate disorderly market conditions. Tariff and nontariff barriers to trade should be avoided, mainly on medical equipments and supplies.

The share of services in the economy will continue to rise, but the share of in-person services will decline in retail, hospitality travel, education, health care etc. Unemployment is skyrocketing, while policy makers across countries race to implement fiscal and monetary measures to alleviate the financial burden on citizen and shore up economies under severe strain. The travel industry has been badly damaged with airlines cutting flights and customers cancelling business trips and holidays. Commercial flights remain below normal levels. The hospitality sector has been hit hard with millions of jobs and many companies bankrupt.

Many low-wage low-skill in-person service jobs, especially those provided by small firms, will not return with the eventual recovery. However, workers providing essential services such as policing, fire fighting, demand and increasing the pressure to raise wages and improve benefits in these traditionally low-wage sectors. The expansion of Wi-Fi, broadband and other infrastructure will be necessary to enable the accelerating digitalization of economic activity. The war in Ukraine will however hinder global growth and increase inflationary pressures creating a new negative supply shock for the world economy, just when some of the supply-chain challenges seen since the beginning of the pandemic appeared to be fading. The war in Ukraine is creating havoc in the global economy. Rising inflation and slowing growth are producing an economic situation not seen since the 1970s.

The corona virus pandemic is the first crisis since the 1930s to engulf advanced and developing economies. Their recessions may be deep and long. There is something new under the sun. And it is horrifying. During this lockdown the loss off demand of oil, rubber, copper, zinc, some types of non-food commodity have affected the price and the price falls are hitting business and Government revenues in countries that export commodities. Low income countries would especially be vulnerable in that situation. Now we have to make a choice, either to put ourselves at risk (from infection) and continue our informal job, or put our families at risk because they will be starving. This is the reality of the people around the globe the real concern now is how far the changes will go and how they will be managed?

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