
COVID 19: SOME COGNITION OF ECONOMIC AND POLITICAL UNCERTAINTY AND ITS CONSEQUENCES ON THE GLOBAL LEVEL

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Abstract: In this paper, the authors deal with global economic and political problems caused by the outbreak of the COVID-19 pandemic. The crisis caused by the irresponsibility of global actors, international organizations and systems within states, requires space for questions to be answered and realistic predictions. So far, the community of experts has not faced anything similar, while politics has no answers to the questions of what economic consequences the crisis will leave.

The health system at the global level has been hit by the struggle for multipolarity without a common response and agreement of key actors. For these reasons, people are more influenced by the media than by the experts that should provide broader and more useful answers. How the global economic system will survive and overcome the crisis ahead and what the difference is in the historical experiences of major catastrophes, and what the choices and alternatives are, remain a challenge for most experts.

Endangering the most important economic activities and reducing labor productivity on the one hand, confronting important political decisions on the other, are issues that prevail and correspond to the interpretation of a common future and both orders - economic and political, in accordance with the future whose creators will be the consequences of pandemics.

Starting from the fact that the crisis caused by the COVID-19 pandemic brought not only a blow to global supply and demand, but also an attack on the very assumption that we operate in a predictable environment, the authors analyze this global social context based on economic uncertainty and political paradigm presenting their views on the question whether the world has more opportunities after a pandemic.

Keywords: economic insecurity, politics, pandemic, global actors, international organizations, state systems.

1. INTRODUCTION

The problems caused by the COVID-19 virus pandemic caused an unexpected economic and social shock with strong political implications for the flows of the economy and society. Inevitably, any form of observation and possible attempt to answer certain questions, and therefore prognosis, must be supported by general data on the number of patients, confrontations and the readiness of health systems to face the problem of spreading the infection, but also the most important question or question of all questions is: how effective were political decisions to deal with the problem, specify the plan of functioning of the economy at the domestic and global level and whether and what are, if generally possible, predictions and solutions in the further course of the crisis. Past experiences, other than those of previous global crises, have not been crucial in answering current questions. However, some data presented in this paper indicate the importance of consolidating the joint work of all headquarters. In this sense, the focus of observation is data and cross-section of the situation according to data on human victims and patients, basic information and facts of the crisis caused by the occurrence, duration and impact of the pandemic on the global economy in supply and demand, as well as problems and risks of inflation, deflation and stagnation and, finally, the current issue of compulsory state aid. Examples of certain countries facing the problem of financial flow in the fight against the pandemic, the paper seeks to clarify current issues, and some consequences arising in the field of mismatch of economic needs and political views of those needs which resulted in endangering the financial headquarters of states i.e systems of production, distribution of goods and distribution of services and goods within one company.

2. SOME DATA AND SECTION OF HUMAN VICTIMS AND ILLNESS, UNTIL THE END OF OCTOBER 2020

The Covid-19 virus appeared in December 2019 in the Chinese city of Wuhan, in Hubei Province (central China). The current range shows that the United States as a whole was the center of the pandemic in October (46.9% of cases), followed by Southeast Asia (21.3%). Europe has moved to third place (20% of cases), although the number

of infections and hospitalizations is also increasing, if not accelerating. Observed individually, the United States has the largest number of infected people, followed by India and Brazil. At the same time, Russia, Spain, France, the United Kingdom, Italy, Germany and Turkey are most affected in Europe (World Health Organization [WHO], 2020).

The official report of the World Health Organization from October 20 reports 1,114,692 dead and 40,114,293 infected people. The spread of the virus continues to intensify outside China: 40,000,000+ people have been infected in 195 countries, mainly in the United States (8,000,000+), India (7,600,000+), Brazil (5,250,000+), and Russia (1.400.000). In Western Europe, the pandemic particularly affected Spain (937,000), France (900,000+), the United Kingdom (700,000+), Italy (400,000+) and Germany (367,000+). Although the number of new cases in China has dropped significantly, reports from February 26 point out that the number of new cases recorded daily in the rest of the world now exceeds the Chinese. As of October 19, there were 302,720 new cases for the rest of the world and 39 cases for China (WHO, 2020).

In the European Union, as already mentioned, Spain, France and Italy (facing the elderly population) are particularly affected with 34,000+, 33,000+ and 37,000+ people who died from the effects of the virus by 20 October. In terms of deaths per million inhabitants, Spain, France, Italy and the United States recorded 724, 513, 604 and 667 deaths on 19 October, India (84) and China (3) show significantly lower numbers, while Belgium stands out with far more (914 deaths per million inhabitants). According to the latest public health data from Belgium (October 20), 230,480 patients in that country tested positive for COVID-19. The number of new cases on a daily basis is evident, the peak of which was on April 14 (2,454 patients), and which has now, after the stabilization of control measures, started to increase again. The average number of new cases on a daily basis (October 10-16) rose to 8,422 (from 4,974 earlier), an increase of 69%. At the same time, the average number of new hospitalizations was 266.6 (compared to 136.9 earlier), which is an increase of 95%.

3. SOME BASIC INFORMATION AND FACTS OF THE IMPACT OF COVID 19 ON THE GLOBAL ECONOMY IN THE FIRST HALF OF 2020

According to IMF data, this year's economic downturn has the greatest consequences since the Great Depression of the 1930s (Su Ping Chan, 2020). Although the IMF praised the quick reactions in countries such as the United States, Great Britain, Germany and Japan, it was stated that no country will avoid the economic downturn. Global growth is expected to recover by 5.8% only next year, but only if the pandemic ends in the second half of 2020, which as time goes on, can be considered less certain. The U.S. economy is estimated to decline by 5.9% this year, the largest annual decline since 1946. At the same time, unemployment is expected to rise to 10.4%, representing the second level of economic and social burden. A partial recovery in the US is expected in 2021 at 4.7%. The Chinese economy will grow by only 1.2% this year, the lowest growth in gross domestic product since 1976. At the same time, according to the same estimates, Australia will experience its first recession since 1991. The IMF also warns that there are much more serious risks in the form of far worse outcomes. COVID 19 simply leads to a recession - forecasts of world experts of various levels of the economy, which is expected in the last quarter of this year, and many theorists say that the crisis will create new economic problems in the form of rising unemployment, falling living standards and rising activity which are performed in the informal sector of the economy (World Economic Outlook, October 2020: A Long and Difficult Ascent). Thus, the COVID-19 virus pandemic is a completely new type of crisis that no country has encountered so far, given that there is no previous experience that could help or be useful in overcoming its harmful consequences and complications they can reflect on the economy and society as a whole.

4. PROBLEMS CAUSED BY COVID-19 VIRUS IN THE FIELD OF SUPPLY AND DEMAND

The results of the impact of the pandemic are very clear: closed production facilities, disruptions in the business chain, quarantine, which has a crucial impact on the economy. Therefore, COVID-19 raises a number of serious issues of social, economic and even sanitary nature, which in regular circumstances are not in the same form and would not be resolved in the same way. In this context, recognizing all the burdens and problems in creating final answers to questions at this early stage, it is necessary to shed light on three very important, from this point of view and critical macroeconomic themes: What is the overall weight between 19? What could be the effect on the shares of lower expected growth and greater uncertainty about future growth? Do we see signs of an impact on credit offers in some European countries that are currently most affected by the virus?

Any changes that may occur in actual commodity prices may indicate whether COVID-19 is causing large demand effects. If the effects of aggregate supply dominate over the effects of demand, prices should be seen as activity declines, in a kind of repetition of the same stagflation as in the 1970s. At the time, central banks were in a dilemma

whether to cut rates to support economic activity or raise rates to fight inflation. If prices remain largely unchanged, it can be concluded that the spread of the virus can also greatly affect aggregate demand.

Relevant data on the consumer price index will not be available in time due to all statistical and economic lags, as expected. Thus, it could be said that the only timely substitutions are commodity prices and negative inflation expectations. Certain ideas on which certain theories are based are that the markets were affected by the COVID-19 shock between February 20 and 28. After that, the global economy was hit by other shocks, especially on February 28, which led to the promise of G7 ministers to "use all appropriate policy tools" to deal with the shock caused by the consequences of global economic shifts, the subsequent dispute between Russia and Saudi Arabia over oil and the extension of emergency measures to the whole of Italy to combat COVID19, which hit this country the hardest in that period and beyond.

5. RISKS OF INFLATION, DEFLATION AND STAGNATION IN THE GLOBAL ECONOMY

Developing economies are fighting COVID-19 and a very sharp economic slowdown imposed by restriction policies and the so-called locks, in the same way as advanced economies. However, emerging markets are facing a very large and rapid capital outflow caused by the pandemic. Thus, we can argue that credible central banks in emerging markets could rely on the purchase of government bonds in local currencies to support the necessary expenditures on social protection, the health care system, and fiscal stimulus. In countries with flexible exchange rate systems and well-founded inflation expectations, such as quantitative easing could help to ease financial catches, and also, at the same time, reduce the risks of major depressions and spiraling inflation. The COVID-19 pandemic is present worldwide. At the same time, developing economies are fighting against it, the so-called lockdowns and social distances, thus in the same way as the world's advanced economies. India, Brazil and Russia have the highest number of confirmed cases of the virus after the US. However, in these countries, COVID-19 causes much more serious disturbances due to stricter financial conditions and less workability of remote work. On the other hand, the economies of developing countries have responded by allowing their currencies to depreciate by easing monetary policy, thus identical to during the global crisis of a decade ago. It should be added here that, even before the zero lower limit was reached, several central banks participated in long-term purchases of state assets,¹³ which is one of the unconventional monetary policy tools used by central banks of advanced economies since the global crisis.

Although it is too early to say how the pandemic will ultimately affect emerging economies, it is possible to expect the same wave of corporate bankruptcies and rising unemployment that are currently affecting advanced economies in various forms. It should also be noted that the subgroups of economies in the development of commodity production recorded a large and sharp decline in export prices. Others were hit by the collapse of remittances and tourism. Therefore, the risks of deflation and stagnation (Benigno and Fornaro, 2018) are higher than the risks of inflation in both groups of countries. But emerging economies face unprecedented challenges stemming not only from a sudden economic halt caused by a pandemic, but also from a traditional halt in capital flows and conditions of trade shocks and their limited borrowing capacity. If things got complicated, all of the IMF's resources might not be enough, as several economies could face large financial needs at the same time. On the other hand, international cooperation and coordination aimed at strengthening the IMF's resources or supporting all debt rescheduling and restructuring may come too late. Thus, the question arises, how can developing economies respond to the combination of financial and economic stress caused by a pandemic. The conventional view is that all economies should implement fiscal stimulus to the extent that they have room for it, which means the need to establish a small budget deficit and a low level of government debt to GDP. This criterion tells us that the fiscal space in emerging markets is very limited and with a very average share of government.

6. PROBLEMS OF STATE AID OBLIGATION AND CONTROL

Loan guarantees were a primary part of the anti-COVID-19 support package offered to companies by European governments. Actual takeover numbers so far follow very different patterns from announcements and could alleviate early concerns about various distortions in individual markets caused by different package sizes from country to country. Loan guarantees, supplemented in some countries by the public purchase of corporate bonds, were one of the primary instruments used by European countries to mitigate the liquidity shock faced by companies during the COVID-19 lockout. In many countries, such programs account for more than half of the announced funds to save the economy. They form a complex system, as they are provided through a number of different national programs in each country, and in some countries it is managed at very decentralized levels. Research is still trying to understand this picture at a detailed level in Italy, Spain, France, the UK and Germany. At the very beginning of the pandemic, the German Federal Government announced two guarantee programs of 756 billion euros on March 23 as part of its

¹³ Which is usually entitled as quantitative easing (QE).

wider package of remediation of the consequences of the pandemic in that country. A day later, the Spanish government announced a similar announcement with aid of 100 billion euros for guaranteed loans. However, the findings suggest that such figures are not necessarily related to actual liabilities to individual companies. In addition, these overall commitments are not in line with the amounts estimated by the European Commission for state aid control. For example, in May, the Commission emphasized that total state aid provided by Germany would provide a disproportionate 51% of total EU aid, which raised concerns about possible cross-border distortions of competition. Also, as of March, various observers remain concerned that more indebted EU member states would be fiscally constrained in providing business assistance, leaving companies established in their territory at a much lower competitive disadvantage.

7. BALKANS REGION AND COVID 19 PANDEMIC: ECONOMIC AND POLITICAL REFLECTIONS

Unlike the world economic crisis that was current ten years ago, the current crisis does not have a clear focus in the financial system that can be identified and acted upon by adequate measures, but it is a health crisis caused by a virus. The crisis will not bypass any country in the world, not even the Balkan countries, with the poorer countries being more affected. Thus, the economic consequences of the pandemic are greater the more economically underdeveloped the country, and the Balkan countries entered this crisis as countries in transition, burdened by high unemployment, high share of public debt in GDP and developmentally dependent on foreign capital. The suspension of economic activity for a certain period and its restart in an environment of uncertainty and fear of the second wave, represent trends that some companies will survive with certain reductions in production and work capacity, and some companies will be forced to declare bankruptcy. At the same time, the forecasts of the IMF, the World Bank and the EU overlook a negative GDP that could be -4%.

The economic crisis caused by the pandemic will certainly deepen the differences between rich and poor that have already been created by globalism. Most poor countries will sink even deeper into poverty, but for some time to come the other side of the principle of polarization, according to which the rich become even richer, will lose in force and significance. Therefore, there comes a time when every country, which is especially true for economically developed countries, will turn to itself and dedicate itself to repairing the negative effects of the pandemic on the economy and society. The pandemic has certainly disrupted relations in the global market and for global players this is the time to survive (Stankov, 2020). However, when it comes to the Balkan countries, we will also mention that they were allocated to public funds to every adult citizen, without coverage in the financial system of the state. On the example of Serbia, which granted a one-time financial aid in the amount of 100 euros to every adult citizen, spending over half a billion euros inappropriately and not directing money to the costs of treating the sick, it is evident that the real social and economic match between state needs and assistance was not taken into account. Misuse of money to help the economy did not yield the desired results, as the need to help people whose treatments exceeded the average monthly income per capita was bypassed, so people who were treated should have an advantage in the state's solidarity with the general pandemic problem.

Other countries in the region did the same, which led to the unintended spending of large sums of money for which loans were taken out. In addition, the countries of the Balkan region received large financial assistance from the EU, China, USA and Turkey, in the form of medical assistance, so the funds had to be directed towards hospital equipment and organization of the Covid system, which united and burdened the entire health system.

8. CONCLUDING REMARKS

Recording data from the beginning and current state of the pandemic, this analysis confronts statistics and economic theory, introducing the inevitable problem of the very cause of the situation in the global economy - the COVID-19 pandemic. From the point of view of the specifics of this topic, the disproportionate adoption of fast and efficient strategies, but also the tactics of opposing a pandemic, as well as making everyday, primarily political decisions, is an additional challenge. However, in the context of the analysis of the final consequences, no prognosis should be given, given that in relation to the drastic increase in the number of patients, measures analogous to those in the first wave of the pandemic are being taken again, resulting in an almost daily change of opinion. It should also be added that the extent and consequences of the pandemic are still unknown, and that the final word should not be given by economists or politicians, but by medicine and science, which are expected to answer many questions about current events globally. Certainly, following the state of world economies, the intention is to know the specifics of the phenomenology of the mutual influence of political decisions on the economy, with the burden of how to repair the damage and predict the final recovery from the very complex consequences of the COVID pandemic 19.

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