

A Billion-Dollar Question Answered: What Economies Should Do?

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The global economy will not return to pre-pandemic levels for another 2 years. Developed economies shrank an unprecedented 9.8 per cent from April to August this year. Compared to the worst quarter of 2008-09 financial crises, the economies shrank only by 2.3 per cent. So what should the policy makers and leaders do in this uncertain time to revive and revitalize the economies. There are technically three ways as savior channels;

Keep supporting people for as long as possible: As per the Angel Gurria, Secretary General OECD, that during 2008-09 financial crises, the financial stimulus was withdrawn too quick and fast and, jump into austerity was also fast, resulting into two further downturns of the world economy after that as we were too fast. We shouldn't repeat that fallacy again. Lives against livelihoods is a totally false dilemma. What we should do is of course to throw everything what we have at our disposal including the kitchen sink, at the virus. Beat the virus, control the virus which is what is not happening now. And, of course that has a cost, but the cost of not doing that is much greater.

Help people find new work: The problem of skilling is going to be crucial. In 2008-2009 the middle-skilled were the ones more affected, the people at the top always do very well. Right now, it is the low skilled that are being more affected and the ones that may lose their links with the markets more permanently. That is going to be a very scary and serious result. Because they are more difficult to catch up in terms of skilling but also because you may see not only very serious

economic and financial pressures but political pressures will also be knocking the doors.

Make supply chains more flexible- don't shrink them: There is a need of diversifying the value chains rather than shortening them, otherwise we run the danger of getting less efficient throughout. We already were in deep trouble before the COVID struck. The reason was because we had trade tensions not only between U.S. and China but also a number of other trade tensions in the U.S., Europe, the trade tensions erupting from the digital taxation issues, etc. And of course, without trade, without investment, why do you invest? The answer is simple that to invest is to produce and then produce to sell. But if you don't know if you can sell, then why wasting investment at all? So, already we have that problem- now this is getting even much worse with the uncertainty provoked by COVID.

Without a second wave of COVID-19, global GDP is forecast to shrink by 6 per cent this year. But by 7.6 per cent if a second wave hits. The billion-dollar question is how our Country is dealing against the pandemic. So investing in healthcare systems is key, to prevent more outbreaks.