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## **Pandemic and Economic Slowdown: Strategies to Tackle Both**

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### ***Abstract***

*The disease Covid-19 was officially declared as a pandemic by the World Health Organisation (WHO) on 11<sup>th</sup> March 2020. Within four months of its emergence, the said disease had spread to all parts of the globe except the continent of Antarctica and has infected millions of people. Studies on the data available from the earlier four pandemics show that the pandemic will cause severe strain to the public health care system as the system will have to deal with a large number of patients simultaneously. The economy will also be severely disrupted. An US congressional study points out that a severe pandemic will result in the GDP growth falling by 6.5 % in the year in which the pandemic happens. There are a number of medical and non-medical strategies available to prevent/combat pandemics.*

*That an economic slowdown will be caused by a pandemic outbreak is an obvious fact. In India, for the purpose of combating Covid-19, there is a lockdown of the entire country, bringing business activity to a standstill. Even before the lockdown, there was recession in the Indian economy. Post lockdown, the economic managers of India will have to take innovative steps to revive the economy. Enhanced government spending is a must. The investment climate in the country must be improved. Further, incentives must be given to customers to increase their spending.*

***Keywords:*** Corona Virus; Covid-19; pandemics; Economic slowdown; Epidemics, Pharmaceutical Intervention; Non-pharmaceutical intervention; lockdown.

## **Introduction**

The disease Covid-19, which is caused by a new novel corona virus, is fast spreading across the globe. In less than four months since it was first detected in the Hubei province of China (in early December 2019), the disease has spread to all parts of the world infecting millions of people. The World Health Organisation (WHO) has declared Covid-19 to be a pandemic (WHO, 2020d). The initial parts of this chapter will briefly study the outbreak of pandemic Covid-19 as well as the strategies adopted globally to deal with it.

There has been four previous pandemic outbreaks in the last hundred years (Saunders-Hastings & Krewski, 2016). Studies based on the data available from the previous pandemics show that pandemics have negative social and economic consequences. The severity of the consequences depend upon the severity of the pandemic. India too has not escaped from the attack of the pandemic Covid-19. To prevent the spread of the Covid-19 disease in India, the central government working in close coordination with the state governments, has enforced a complete lockdown in the country. This has brought all forms of business activity to a standstill. This will obviously slowdown the Indian economy. The latter parts of this chapter seeks to briefly analyse the impact that a pandemic will have on the global/national economies. The strategies that India will have to adopt in order to overcome the ill-effects of the economic slowdown caused by the outbreak of Covid-19 will also be discussed.

### **1. Defining Pandemic**

To understand the meaning of the term 'pandemic' it is essential that the meaning of the term 'epidemic' be understood as there is a close relationship between the two. The term epidemic has its origin in the Greek word 'epic' which means 'on' and 'demos' which means 'people'. Thus, pandemic literally

means something spreading on the people. Hippocrates had used this term to describe the spread of certain diseases like diarrhoea, cough, etc. that were occurring and propagating in a given period of time in a given location (Martin & Martin-Granel, 2006). Over the centuries, the term 'epidemic' has however, acquired a more concrete meaning. It is now defined as the occurrence of cases of a disease in excess of usual expectations for a particular population (Breslow, 2002). For a disease to be classified as epidemic, it must (1) affect many people at the same time in a locality (2) it must spread from person to person and (3) the disease should not be permanently prevailing in the locality where it occurs.

Pandemic has been defined as an epidemic occurring worldwide, or over a very wide area. The pandemic usually crosses international borders and infects a large number of people (Kelly, 2011). Hence, a worldwide epidemic which infects (either incapacitates or cause death) a large number of persons is called a pandemic (Breslow, 2002). The disease, Covid-19 is the latest pandemic to occur in the world. The last hundred years has seen the occurrence of at least four other pandemics namely Spanish flu (1918-20), Asian flu (1957-58), Hong Kong flu (1968-70) and Swine flu (2009-10) (Saunders-Hastings & Krewski, 2016).

## **2. Covid-19**

Covid-19 is the acronym for the disease called corona virus disease-2019 (WHO, 2020b). It is caused by a novel virus belonging to the corona virus family (Shereen, Khan, Kazmi, Bashir, & Rabeea, 2020). The initial technical name given to the virus was 2019-novel corona virus (WHO, 2020b). Subsequently, the virus was renamed as SARS-COV-2 (Guo, et al., 2020). The disease first appeared in a sea food market in the city of Wuhan, Hubei province, China in early December, 2019. The first medical reports of the

disease were dated 8th December, 2019 (Al Hasan, Saulman, Kanda, & Hiraro, 2020). The said disease quickly spread to all the countries in the world and hence on 11<sup>th</sup> March, 2020, the WHO was forced to declare the disease as a pandemic (WHO, 2020d).

### **3. Strategies to deal with Pandemics**

Considerable amount of research has already been undertaken by WHO and national level health organisations to develop strategies to deal with pandemics. In fact, WHO has even developed a number of comprehensive protocols to deal with pandemics (WHO, 2010).

The basic strategy to deal with pandemics can be divided into two broad streams namely, (1) preventive strategies (i.e.) strategies to reduce the opportunity of the virus to improve its potential. (2) remedial strategies (i.e.) strategies to be prepared to deal with the pandemics, if the preventive strategies fail (WHO, 2007).

1. Preventive strategies: - Preventing the emergence of the pandemic virus is the most important strategy. A number of studies have shown that the majority of all new emerging infectious diseases and pandemics are transmitted from animals to human beings (Jones, et al., 2008), (Pike, et al., 2010). Hence the most effective strategy available for prevention and/or early detection of emerging pandemic threats is to conduct surveillance of human beings who are highly exposed to animals. Effective steps must be adopted to bring about behaviour changes in those persons who are in close contact with animals, so that the said contacts can be minimised (Pike, et al., 2010). If those persons display any symptoms of any disease, they must be treated immediately. There must also be immediate incidence mapping and all the contacts of the persons displaying symptoms of the disease must

be immediately traced down and isolated to prevent the spread of the disease.

2. Remedial strategies: - This basically involves preparing all countries to cope up with the pandemic once there is an outbreak. This includes strategies to reduce infections/deaths as well as to minimise social/economic disruption. When a pandemic is about to strike, there are two types of strategies that are simultaneously adopted. They are: -

a. Pharmaceutical Interventions: - This involves the use of medical and related methods to deal with the pandemic outbreak. These includes (1) developing and using vaccines to prevent the spread of pandemics and (2) developing and using treatments with anti-viral drugs and other medications (Holtz - Eakin, 2005). These strategies are adopted during the later stages of the pandemics when non-pharmaceutical remedies do not succeed.

b. Non-pharmaceutical Interventions: - This involves the use of non-medical means to deal with the pandemic outbreak. These type of interventions are adopted at the starting stages of the pandemic outbreak. These strategies include:

- i. Isolation of infected patients and quarantine of the contacts of the infected patients. (WHO, 2006)
- ii. Social distancing interventions like closure of schools/colleges, preventing gathering /crowding of people at public places etc. (Kelso, Milne, & Kelly, 2009).
- iii. Preventing people from entering or exiting the infected areas/locations (Lau, Tsui, Lau, & Yang, 2004).
- iv. Personal protection and hygiene like frequent washing of hands, wearing masks and regularly disinfecting the place where people live (Kelso, Milne, & Kelly, 2009).

#### 4. Impact of Pandemics on the Economy

As seen above, when there is a pandemic outbreak, the authorities are duty bound to take pharmaceutical and non-pharmaceutical intervention measures to contain the spread of the disease. The spread of the disease as well as the non-pharmaceutical measures adopted to contain the disease will have negative consequences on the economy. The severity of the consequence will depend upon the severity of the pandemic outbreak. More severe the pandemic outbreak, more severe will be the disruption of the economy (Fan, Jamison, & Summers, 2016). Some of the major economic impacts caused by the outbreak of a pandemic is as under:

1. Surge demand for health services: - The most immediate impact of a pandemic outbreak is a surge in demand for medical services. The health care system of the country will be put under severe strain as large number of people will seek health care services simultaneously (Levin, Gebbie , & Qureshi , 2007). Treatment for non-acute health problems would be sharply curtailed (Holtz - Eakin, 2005). Additional hospital facilities will have to be created. Additional medicines like vaccines, antiviral drugs, etc. will have to be procured. Protective gear for the health care personnel and also for the general public will have to be purchased. All these involve huge financial costs (Hick & Biddinger, 2020), (Bloom, Cadarette, & Sevilla, 2018)
2. Domestic and international travel restrictions: - The next immediate impact of a pandemic outbreak is the economic loss resulting from travel restrictions. People may voluntarily stop travelling and if the outbreak is severe, the governments will impose both local and international travel restrictions. Public transport, air and rail services will be suspended (Holtz - Eakin, 2005) (Chinazzi, et al., 2020). This will severely affect the transport

industry. Global tourism will also be negatively affected (Saunders-Hastings & Krewski, 2016).

3. Impact on the global economy/ national economy: - The economy of the areas affected by the pandemic outbreak will slow down considerably. Due to voluntarily/forced close down, people will mostly stay indoors. People will avoid public places like shopping malls, restaurants, markets, community centres, etc. Public gatherings will also be restricted resulting in the close down of theatres, sporting events etc. All this will badly affect retail trade (Holtz - Eakin, 2005). Local tourism will suffer due to the travel restrictions (Verikos, Sullivan, Stojanovski, Giesecke, & Woo, 2011). The slowdown of economic activity would also reduce GDP growth rate. Due to infection/death there could be negative impact on the supply of labour force. Businesses will default in loan re-payments. Stock markets are also bound to suffer (Holtz - Eakin, 2005). Agricultural production will also suffer due to lack of markets for produces, particularly perishable items. World trade is also bound to suffer due to closure of airports and seaports. A study on behalf of the US congress show that a severe pandemic outbreak will result in GDP growth rate falling by 6.5% in the year in which the pandemic takes place. The same study points out that the GDP growth rate would fall by 1% in case of a mild pandemic outbreak (Holtz - Eakin, 2005). The Organisation for Economic Co-operation and Development (OECD) has on 2<sup>nd</sup> March, 2020 lowered its estimate of global economic growth by 0.5% for 2020 from 2.9 to 2.4 percent (OECD, 2020). This is the result of the global economic slowdown due to the outbreak of Covid-19. Global trade is also expected to decline by 13% to 32% due to Covid-19 as per WTO estimates (US Congress, 2020)

## **5. Strategies to deal with Economic Slowdown**

Governments must always be prepared to deal with pandemics. Governments must allocate money in their annual budgets to be prepared to face any pandemic outbreak (IWG, 2017). Much of money must be used to upgrade the infrastructure of the public health care system.

Once there is an outbreak of a pandemic like Covid-19, disruption of economic activities is only natural. The GDP growth rate would be adversely affected. Hence, once the pandemic outbreak is contained, national governments will have to come up with financial packages to revive the economy. Central banks of a large number of countries have already lowered interest rates, made available emergency credit and taken other steps to infuse liquidity into the system to deal with the economic disruptions caused by the outbreak of Covid-19. In the United States of America, the US Congress has passed Covid-19 Aid, Relief and Economic Security Act, 2020 to revive the economy by providing direct payments to tax payers, assistance to small businesses and loans/guarantee to airline and other industries (US Congress, 2020).

## **6. Measures to revive the Indian Economy**

The outbreak of Covid-19 had forced the Indian government to impose a lock down of the entire country for a substantially long period of time. This has also led to the virtual lockdown of the economy causing hardships to whole of India. Consequently, the Reserve Bank of India (RBI) reviewed its monetary policy for the purpose of mitigating the negative effects caused on the Indian economy by the Covid-19 outbreak, reviving growth and preserving financial stability (RBI, 2020). The following are some of the important measures taken by RBI:

1. Auction of targeted term Repos of up to three year tenor.
2. Reduction in cash reserve ratio of all banks to 3% of the net demand and

time liability (NDTL).

3. Moratorium on payment of terms loans for three months.
4. Deferment on the payment of interest on working capital facilities for three months.

These measures announced by RBI will be helpful in keeping the economy in the ventilator till the pandemic Covid-19 is controlled. Even prior, to the Covid-19 crisis there were signs that the Indian economy was in a recession mode. Hence post Covid-19 crisis, the government will have to come up with a stimulus package for reviving the economy which is now in the ventilator. The government has to take effective monetary and non-monetary steps to ensure that GDP grows at a healthy rate. When GDP is measured in terms of expenditure, it has four components namely, consumer consumption, investments, government spending and net exports (Dyan, 2018). The strategies that the government will adopt, must cater to all these four segments. Steps must be taken to encourage exports and consumer spending. Government spending must also be increased in priority sectors, but without significantly breaching the fiscal deficit targets. Steps must also be taken to improve the investment climate in the country.

## **7. Conclusion**

The pandemic Covid-19 has struck the world with great force and within less than four months of its emergence, it has rapidly spread across the globe infecting lakhs of people. This has forced a large number of countries to enforce a lockdown resulting in disruption of social and economic life. It will take some time for the global economy to recover from this deep economic crisis.

India is no exception, and in order to prevent the spread of the Covid-19 outbreak, Indian government too enforced lockdown resulting in economic slowdown. The RBI has rightly announced a slew of measures to maintain stability in the system, even as the spread of the pandemic is being contained. However, these measures will not be sufficient to revive the economy after the spread of Covid-19 is contained through pharmaceutical and non-pharmaceutical interventions. Post lockdown, the government will have to come up with innovative and concrete measures to revive the economy, so that the target of a \$ 5 trillion economy by 2025 is still an achievable dream.

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