

## EB2 Chair Report

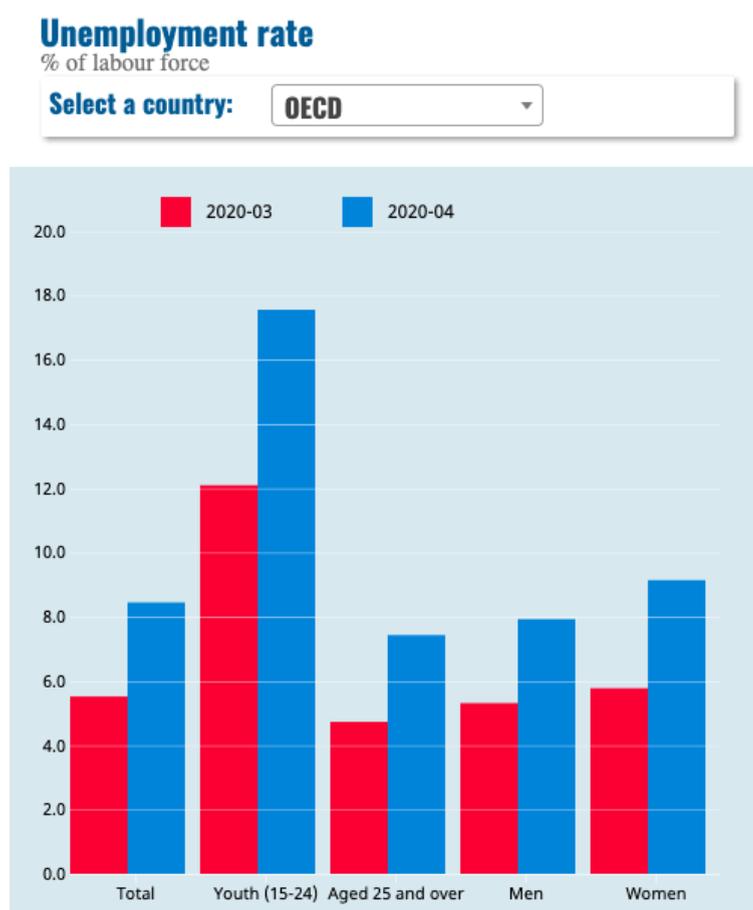
Issue: Discussing the economic issues faced by the working class due to the income difference caused by the pandemic

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### Introduction:

COVID-19 is not only a global pandemic and public health crisis; it has also severely affected the global economy and financial markets. Significant reductions in income, a rise in unemployment, and disruptions in the transportation, service, and manufacturing industries are among the consequences of the disease mitigation measures that have been implemented in many countries. It has become clear that most governments in the world underestimated the risks of rapid COVID-19 spread and were mostly reactive in their crisis response. As disease outbreaks are not likely to disappear in the near future, proactive international actions are required to not only save lives but also protect economic prosperity.

Figure 1: Unemployment rates in OECD countries



### Background info:

On March 11, 2020, the World Health Organization (WHO) characterized COVID-19 as a pandemic, pointing to over 3 million cases and 207,973 deaths in 213 countries and

territories. The infection has not only become a public health crisis but has also affected the global economy. Significant economic impact has already occurred across the globe due to reduced productivity, loss of life, business closures, trade disruption, and decimation of the tourism industry.

With globalization, urbanization, and environmental change, infectious disease outbreaks and epidemics have become global threats requiring a collective response. Although the majority of developed countries, predominantly European and North American, have strong real-time surveillance and health systems to manage infectious disease spread, improvements in public health capacity in low-income and high-risk countries, including human and animal surveillance, workforce preparedness, and strengthening laboratory resources, need to be supported by using national resources supplemented with international donor funding. However, in countries plagued by economic instability and political turmoil, third party organizations as well as NGO's are not inclined to provide their services because of the risks involved. The most prominent example of this case is the Taliban take-over in Afghanistan and the nonexistence of humanitarian organizations and the WHO in the country that the change in rule has brought. Because 40% of the GDP of the Republic of Afghanistan came in the form of foreign aid, unemployment and homelessness has sky-rocketed alongside a sharp decrease in investments. The conditions of Afghanistan, hits the poor the hardest and puts an unbearable burden on the labor force that is desperate for new job opportunities. In addition to the substantial burden on healthcare systems, COVID-19 has had major economic consequences for the affected countries.

The COVID-19 pandemic has caused direct impacts on income due to premature deaths, workplace absenteeism, and reduction in productivity and has created a negative supply shock, with manufacturing productive activity slowing down due to global supply chain disruptions and closures of factories. For example, in China, the production index in February declined by more than 54% from the previous month's value. In addition to the impact on productive economic activities, consumers typically changed their spending behavior, mainly due to decreased income and household finances, as well as the fear and panic that accompany the epidemic. "The advance seasonally adjusted insured unemployment rate in the U.S. has already reached a record level of 11% for the week ending April 11, 2020." In addition to marked health inequalities, especially in countries without universal healthcare coverage, the economic impact of the COVID-19 pandemic has been heterogeneous across different levels of income and social status. Hence, the most affected group has been those with low income in the working class, because of the difficulty of accessing proper health services.

#### Involved Parties:

WTO: The World Trade Organization has provided support for growing economies for multiple decades in the form of providing proper financial tools. The organization has had even more prominence during the pandemic because of economic issues.

WHO: The World Health Organization is one of the most important branches of the UN, as it focuses on health and medicine across the globe. They have provided economic, informative and moral support to governments and their people in hard times.

CDC: The Centers of Disease Control and Protection is the primary medical branch of the US that informs the public. They have power to employ health related policies without the direct approval of the Senate

NHS: The UK National Health Service is the public health service branch that enables citizens of the country access to free healthcare. This system has been created by the Thatcher Administration before rising tensions in the Cold War, hence, the system has imperfections compared to other developed nations public health services.

UNSC Members: The permanent members of the Security Council have made multiple crucial decisions regarding the continuation of multilateral trading policies that encourage underdeveloped nations achieve their economic growth potentials.

OPEC: The Organization of the Petroleum Exporting Countries is an intergovernmental organization of 13 countries that have vast petroleum resources. The member states decide on the pricing of petrol and petrol related goods, in order to not overflow the market and keep markets stable. For a consecutive 4 months, OPEC member states have decided to increase the price of petroleum.

OECD Members

#### Timeline of Events:

1. Covid-19 started in China, November 2019
2. Lockdowns were implemented in March 2020 in the US
3. Working hours declined by 14% in OECD nations between the final quarter of 2019 and the second quarter of 2020
4. 2020, various countries also implemented wage cuts in the public sector
5. April 2020, most countries shut down their schools, colleges, and universities
6. In the U.S. wage jump of 5.8% in April 2020, the effect of greater job loss among low-paid workers than high-paid workers which raises the average of the earnings of workers still in jobs
7. Europe hotel occupancy was declined by 82.3% in May 2020
8. 2020, Nielsen, the British Retail Consortium, and the Commonwealth Bank of Australia mentioned that the surge in demand for essential products like rice and

wheat, toilet paper, and various other food items has been much higher than the last years

9. Global growth is expected to decelerate markedly from 5.5 percent in 2021 to 4.1 percent in 2022
  
10. 2022 global economy is entered a slowdown amid fresh threats from COVID-19 variants and a rise in inflation, debt, and income inequality that could endanger the recovery in emerging and developing economies

### Key Terms:

GDP (Gross Domestic Product): The total of all value added, created in an economy. Can be calculated through the multiplication of the values of all goods and services produced with the amount produced, and finding the total numerical value by adding each value found in each industry with one another.

Net Property Income: The amount of gross income of any real property less the property management expenses, repair expenses, utilities expenses, taxes and public charges and other expenses related to said property.

GNP (Gross National Product): The total market value of all final goods and services produced by a nation's economy during a specific period of time (usually a year), computed before allowance is made for the depreciation or consumption of a capital used in the process of production.

PPP (Purchasing Power Parity): The measurement of prices in different countries that uses the prices of specific goods to compare the absolute purchasing power of the countries' currencies.

Central Bank: A central bank, reserve bank, or monetary authority is an institution that manages the currency and monetary policy of a state or formal monetary union, and oversees their commercial banking system.

Inflation: A general progressive increase in prices of goods and services in an economy.

Deflation: A decrease in the general price level of goods and services.

Stagflation: Stagflation is characterized by slow economic growth and relatively high unemployment—or economic stagnation—which is at the same time accompanied by rising prices (i.e. inflation).

Monetary Policy: Monetary policy refers to the use of monetary instruments under the control of the central bank to regulate magnitudes such as interest rates, money supply and availability of credit with a view to achieving the ultimate objective of economic policy.

IMF: International Monetary Fund.

### Possible Solutions:

The world is in a period of asymmetrical recovery. In some countries, COVID-19 infection rates have fallen significantly, while in others, the virus remains difficult to control. But whether governments are actively managing outbreaks or returning to normalcy, economic recovery is central to their forward-looking agenda. For without a broad-based economic expansion, it is difficult to address other challenges, such as education and healthcare.

The International Monetary Fund recently raised its projection for economic growth in 2021 to 6%, up from 5.5%, and projects 4.4% growth in 2022. The upgraded outlook is based on how well the pandemic continues to be controlled, the efficacy of fiscal policy in mitigating economic damage and global financial conditions. Although businesses are the engines of the economy, governments create the environment and structure that enable capitalist economies to grow. How governments create and shape the environment for economic growth holds great importance and is vital for the sustainability of high living standards. Hence, this part is being written to focus on the possible solutions to create economic growth and recovery.

#### 1. Increasing Investment:

One of the most effective methods to increase recovery in a macro-economy is to encourage circulation and flow of money in/into the country in the form of investments. Providing direct capital injections through investments, loans and grants, as well as support to the national banking system can increase the success of investments. It is crucial to note that the GNP holds great importance for the economic strength of nations. Investments made abroad by a nationality (which the government serves) should be more than investments made in a country by foreigners. If this condition is met, the GNP will be greater in numerical value than the GDP and increase the government's international influence.

#### 2. Increasing Revenue:

Providing support to public use assets, such as heavy infrastructure, facilities and climate retrofitting, indirectly encourages investments by creating new opportunities for growth and is highly effective, but similar strategies may take a long time to reach their full potential. The importance of domestically produced goods and public expenditure on domestic products can not be stressed enough. Therefore, domestic financial growth in a sustainable fashion must be promoted through tax-rebate checks, stimulus checks, low interest rates, and/or tariffs on imports

#### 3. Reducing Cost:

Even though, taxes are a major source of income for the government, it can be a burden on the people. Hence, decreasing taxation and promoting free markets may prove to be an efficient strategy that does not require any form of direct monetary

support to the involved parties. Different policies pertaining to the topic of providing concessions on government services (e.g. utilities) may further reduce costs.

4. Encouraging innovation:

Serving as a convener across a variety of industries, academia, think tanks, and design/development agencies will encourage innovation through the creation of a strong enabling environment (e.g., intellectual property protections)

5. Supporting the workforce:

Increasing the support given to the labor force by assessing employment issues and providing solutions with the utilization of upskilling and reskilling programmes will aid individuals in moving freely within their respective job landscape and will enable higher rates of employment to be achieved. It is worth mentioning that proper implementation of this policy can make labor shortages highly unlikely, while also supporting the people, and creating healthy employee-employer relationships.

## UK unemployment rate at 4.8%

Jan 2021 to Mar 2021, percentage of economically active people aged over 16 who are unemployed



Source: Office for National Statistics. Margin of error:  $\pm 0.4\%$

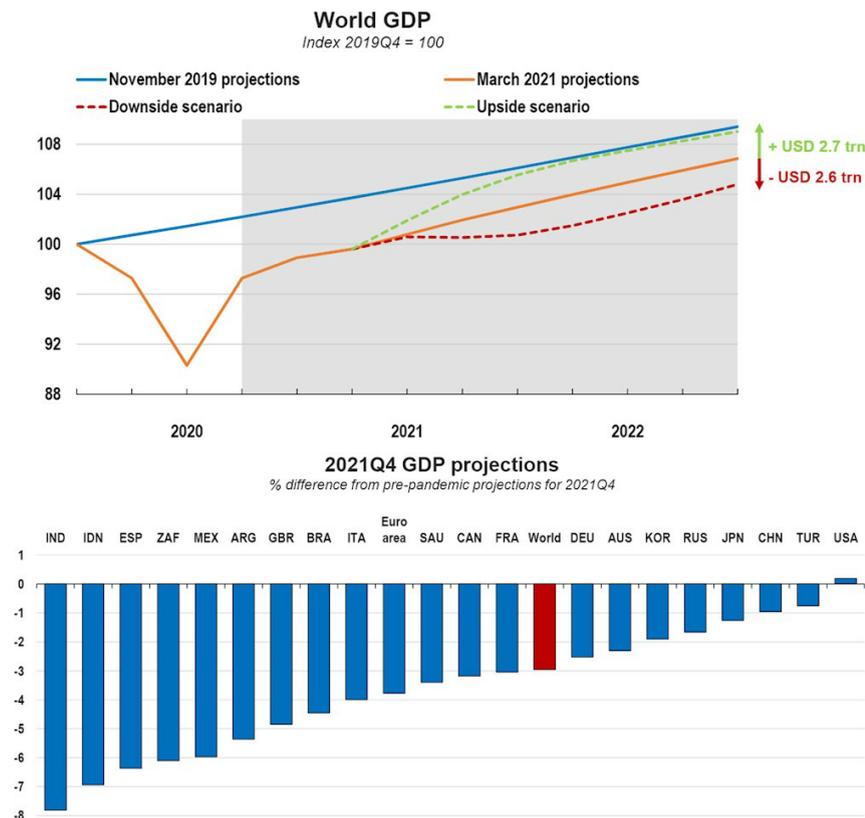


Figure 2: Unemployment rates in the working class

### Previous Attempts to Solve the Issue:

All countries have shown different attempts to solve the problem at hand most of them have taken precautionary measures against the pandemic, showing support to health systems, implementing policies to soften the impact on jobs and economic activity. To be more

specific, EU countries like Finland, France, Germany, Japan, and Spain have provided government measures to support local finance, as well as savings in expenses. Starting in 2021, vaccines started being implemented so that the course of the ongoing pandemic could start to end, and people could return to their previous situations. “Governments have provided massive financial support to protect firms, households, and vulnerable populations. Global fiscal support amounts to USD 13.8 trillion, with USD 7.8 trillion in additional spending and forgone revenue and USD 6 trillion in equity injection, loans, and guarantees since March 2020,” says OECD.



Figures 4 and 5: International GDP Projections

Resources:

<https://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-covid-19-managing-the-crisis-and-recovery-across-levels-of-government-a2c6abaf/>

<https://www.brookings.edu/research/tackling-the-inequality-pandemic-is-there-a-cure/>

<https://www.frontiersin.org/articles/10.3389/fpubh.2020.00241/full>

<https://www.bbc.com/news/business-52660591>

<https://www.brookings.edu/research/ten-facts-about-covid-19-and-the-u-s-economy/>

<https://www.oecd.org/newsroom/unemployment-rates-oecd-update-october-2020.htm>

<https://commonslibrary.parliament.uk/research-briefings/cbp-8866/>

<https://aer.eu/covid-19-what-is-at-stake-for-youth-development/screenshot-2020-06-19-at-15-55-01/>

<https://www.statista.com/chart/21329/highest-unemployment-rates-ever/>

<https://www.google.com/url?sa=t&source=web&rct=j&url=https://sgp.fas.org/crs/misc/R46554.pdf&ved=2ahUKEwiz5OevyvD1AhV4RPEDHfjLDloQFnoECAQQAQ&usg=AOvVaw1tQjnv-ulCVoiDFkDUrl-k>

Useful Links:

<https://www.pwc.com/gx/en/industries/government-public-services/six-challenges/economic-recovery-after-covid-19.html>

[https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.oecd-ilibrary.org/&ved=2ahUKEwjwsbHU\\_L1AhUDQfEDHZa5A-oQFnoECDgQAQ&usg=AOvVaw2buhnkAk1WMA8dM34oa2g9](https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.oecd-ilibrary.org/&ved=2ahUKEwjwsbHU_L1AhUDQfEDHZa5A-oQFnoECDgQAQ&usg=AOvVaw2buhnkAk1WMA8dM34oa2g9)

<https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.bbc.com/news/uk-51768274&ved=2ahUKEwieno2CgPP1AhWkRvEDHbj-D30QFnoECBMQAQ&usg=AOvVaw10mseOC6LguS10Dvn21sVa>

[https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.cia.gov/the-world-fact-book/&ved=2ahUKEwiG\\_euagPP1AhULRfEDHRDdBq0QFnoECAYQAQ&usg=AOvVaw3LG0yV4VeinAOyLxsssBir](https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.cia.gov/the-world-fact-book/&ved=2ahUKEwiG_euagPP1AhULRfEDHRDdBq0QFnoECAYQAQ&usg=AOvVaw3LG0yV4VeinAOyLxsssBir)

<https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.worldbank.org/en/topic/macroeconomics&ved=2ahUKEwiU2LqogPP1AhXSQvEDHV CYAGoQFnoECDkQAQ&usg=AOvVaw0wZzGGxpDNennFoVspP>