

პეკონომიკა ♦ პეკონომიკური კრიზისი CORONOMICS ♦ CORONOMICAL CRISIS

On the Atypical Economic Crisis under the COVID-19 Pandemic

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This article examines the nature of the economic crisis that has formed due to the COVID-19 pandemic. It is justified that this crisis, called the coronomic crisis, is in fact atypical. The coronomic crisis is fundamentally different from other atypical economic crises. The coronomic crisis did not originate in the economy itself and its completion depends only on the success of medicine in the fight against the coronavirus. Anti-crisis economic measures in the context of this crisis are aimed at social assistance to needy members of society and support for those firms that have suspended or reduced their activities due to the pandemic. The coronomic crisis forced us to take a fresh look at the globalization process. The process of forced de-globalization caused by it is temporary, since overcoming the pandemic is possible only on the basis of a global approach. Atypical economic crises should be the subject of a special study for economics.

Keywords: *pandemic COVID-19, atypical economic crisis, coronomic crisis, anti-crisis economic measures, globalization, de-globalization.*

JEL Codes: *G01, H12, N12, N14, P21*

Due to the global spread of COVID-19 in March 2020, the World Health Organization (WHO) announced the beginning of a pandemic (Ghebreyesus, 2020). The COVID-19 pandemic has led to a global economic crisis (e.g., Baldwin, Mauro, eds., 2020). This is explained by the fact that in order to prevent the massive spread of the coronavirus, it was necessary to limit contacts between

people which led to the closure or significant restriction of the actions of many sectors of the economy (Geller, Wiseman, Rugaber, 2020).

Emphasizing the importance of the economic crisis caused by the COVID-19 pandemic, the term “Coronomics” (by combining the two terms “Corona” and “Economics”) appeared to denote the sub-sector of economic science that should study the impact of the COVID-19 pandemic on the economy (de Alwis, 2020).¹ Based on this term, the economic crisis caused by the COVID-19 pandemic can be qualified as a coronomic crisis (Papava, 2020a).

The purpose of this article is to identify the features of the coronomic crisis.

Under the COVID-19 pandemic, the economy is completely dependent on medicine. Until it can find effective treatments for the coronavirus and develop an effective and safe vaccine to prevent its spread, the global coronomic crisis will not be over. The reasons that caused the coronomic crisis are not endogenous (i.e., formed in the bosom of the economy itself), but exogenous (i.e., brought into the economy as a result of the rapid spread of the coronavirus). Consequently, economists are powerless in overcoming the coronomic crisis since it cannot be completed exclusively by economic means. Thus, the economy has become a hostage of medicine amid the COVID-19 pandemic (Papava, 2020a).

Unlike typical economic crises that originate in the economy itself, the roots of the coronomic crisis are not in the economy itself. The end of typical economic crises depends entirely on the economic measures taken by governments while the end of the coronomic crisis depends on when medicine can defeat the coronavirus and its spread. Thus, a coronomic crisis is an atypical economic crisis.

Because of their atypicality, all atypical economic crises differ from each other. In particular, the coronomic crisis is fundamentally different from such atypical economic crises of the twentieth century as the economic crises that began after the First and Second World Wars and as a result of the collapse of communist regimes in the countries of Eastern Europe and the USSR.

As is known, post-war economic crises were caused by the destruction of cities, villages and infrastructure. Consequently, after the end of these wars, it was necessary to restore them. In contrast to this situation, there is no disruption under the coronomic crisis.

The economic crisis caused by the collapse of the communist regimes in the countries of Eastern Europe and the USSR was the result of a change in economic systems and the transition from a command economy to a market

¹ The term “Corononomics” was also coined (Eichengreen, 2020).

economy. As for the coronomic crisis, it excludes any transformational process of economic systems.

It should be noted that some time after the end of the First World War, the “Great Depression” began which, by its nature, was a large-scale typical economic crisis (e.g., Shlaes, 2007). At the same time, in the USSR, isolated from the rest of the world, a transformational process of transition from capitalism to socialism began (Bukharin, 2003).

From what has been said it follows that the accumulated knowledge about typical and other atypical crises, in principle, may be of little use (Roach, 2020). At the same time, under the coronomic crisis, governments practically use the same arsenal of economic instruments as under the conditions of the global financial and economic crisis of 2008-2009 (Hatheway, 2020).

It is necessary to emphasize one specific feature of the use of traditional anti-crisis measures in the context of a coronomic crisis. Anti-crisis measures used in a typical economic crisis are designed to end it. The same measures applied in the atypical coronomic crisis can only alleviate the social situation of citizens in need and support firms that were forced to suspend their activities due to the COVID-19 pandemic.

After medicine solves the problem of treating and preventing the spread of the coronavirus (i.e., after the end of the coronomic crisis), it will be necessary to use the post-crisis economic measures that came to be developed during this crisis. This approach will help to avoid any waste of time for this development. These measures should be developed in times of crisis to avoid delays in creating them.

The COVID-19 pandemic has exposed many of the weaknesses of globalization.

Due to the unexpected and rapid spread of COVID-19, many international organizations, and above all the WHO, were unprepared to adequately confront the pandemic. On the other hand, this gave rise to skepticism about globalization and contributed to the “justification” of the process of de-globalization which should ultimately lead humanity to isolationism. In other words, the COVID-19 pandemic triggered a process of “forced de-globalization”¹ when individual countries independently took measures to counter the spread of this virus. As a result, the COVID-19 pandemic began to be considered a “crisis of globalization.”

1 It should be emphasized, that the process of the forced de-globalization, regardless of the COVID-19 pandemic and long before its start, was initiated by US President Donald Trump (e.g., Sachs, 2017).

It should be borne in mind that the pandemic as such, and in particular the COVID-19 pandemic, is a global phenomenon by its nature. And the solution to the problem of a global nature is possible only by global measures. It should also be remembered that isolationist policies negatively affect both economic growth (Rogoff, 2020) and the social, political and environmental spheres (Haass, 2020).

To overcome such a global phenomenon as a pandemic, it is essential to abandon isolationism and implement globally coordinated actions (Mazzucato, Torreele, 2020; Stiglitz, 2020a). Consequently, the present process of de-globalization is of a temporary nature and it is advisable for all countries to use this situation to better prepare for the beginning of a new stage of globalization (El-Erian, 2020).

In the context of de-globalization, the problem of food security of each country is aggravated. As a result, national governments begin to focus their attention on solving this (Blair, Kalibata, 2020).

Anti-crisis measures by national governments require an increase in national budget spending to support and develop the health care system, social assistance to the needy population and financial assistance to those firms that had to suspend their activities due to the pandemic (IMF, 2020). Along with an increase in the expenditure side of the national budgets of various countries, tax revenues also decrease, since the functioning of many firms is suspended or limited. As a result, national budget deficits are growing and governments are forced to increase borrowing in order to cover them. A significant feature of the coronomic crisis is the fact that an increase in national budget deficits and an increase in sovereign debt in many countries occur simultaneously. It should be borne in mind that these countries will have to simultaneously solve the problems with their national budget deficits and their sovereign debts (Stiglitz, Rashid, 2020).

Under the coronomic crisis, governments are giving firms tax breaks and concessional lending. Unfortunately, these measures will ultimately lead to an expansion of the process of the zombie-ing of the economy (Stiglitz, 2020b).

In the context of the coronomic crisis, tax breaks and concessional lending are becoming available to those firms that had already had financial problems with solvency before the crisis began. In other words, financial support for firms that were insolvent even before the onset of the crisis is veiled by anti-crisis measures to mitigate the results of the coronomic crisis. And without the

beginning of the coronomic crisis, these firms were real candidates for zombie-ing (e.g., Ahearne, Shinada, 2005). During the coronomic crisis, there is no time to screen firms for solvency before the onset of the crisis. As a result, the use of anti-crisis measures contributes to the zombie-ing of these firms (Papava, 2020b).

It should be noted that the process of the zombie-ing the economy was already a global problem even before the onset of the coronomic crisis (Krugman, 2020). And the corona crisis will further enhance this process.

In addition to the noted features of the coronomic crisis, there are others, too, which should also be the subject of independent study.

In conclusion, we note that the COVID-19 pandemic has entailed a corona crisis which by its nature is an atypical crisis and its study is a top priority for modern economic science.

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COVID-19-ის პანდემიის პირობებში ატიპური ეკონომიკური კრიზისის შესახებ

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სტატიაში შესწავლილია იმ ეკონომიკური კრიზისის ბუნება, რომელიც COVID-19-ის პანდემიის პირობებში ჩამოყალიბდა. დასაბუთებულია, რომ ეს კრიზისი, რომელსაც კორონომიკური კრიზისი ეწოდება, სინამდვილეში არატიპურია. კორონომიკური კრიზისი არსებითად განსხვავდება სხვა ატიპური ეკონომიკური კრიზისებისაგან. კორონომიკური კრიზისი თავად ეკონომიკაში არ წარმოშობილა და მისი დასრულება კორონავირუსის წინააღმდეგ ბრძოლაში მხოლოდ მედიცინის წარმატებაზე დამოკიდებულია. ამ კრიზისის პირობებში ანტიკრიზისული ეკონომიკური ზომები მიზნად ისახავს საზოგადოების გაჭირვებული წევრების სოციალურ დახმარებას და იმ ფირმების მხარდაჭერას, რომლებმაც პანდემიის გამო სრულად შეაჩერეს, ან ნაწილობრივ მაინც შეზღუდეს თავიანთი საქმიანობა. კორონომიკურმა კრიზისმა გლობალიზაციის პროცესის ახალი კუთხით გააზრებას შეუწყო ხელი. ამ კრიზისის მიერ გამოწვეული იძულებითი დეგლობალიზაციის პროცესი დროებითია, რადგან პანდემიის დაძლევა მხოლოდ გლობალური მიდგომის საფუძველზე იქნება შესაძლებელი. ატიპური ეკონომიკური კრიზისები ეკონომიკური მეცნიერებისათვის სპეციალური კვლევის საგანი უნდა გახდეს.

საკვანძო სიტყვები: COVID-19-ის პანდემია, ატიპური ეკონომიკური კრიზისი, კორონომიკური კრიზისი, ანტიკრიზისული ეკონომიკური ზომები, გლობალიზაცია, დეგლობალიზაცია.

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