The Dismal Science of COVID-19

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Abstract: ***A crisis is often a three-act story: Accident. Relapse. Rehabilitation. The coronavirus crisis is one such crisis continuing its spread across the world, with more than 5.3 million confirmed cases in 188 countries. More than 340,000 people have lost their lives. This report summarizes the existing news and reliable economic data that can guide any forecast. Further, it explains the world sliding in a deep recessionary period and explains the opportunities that this pandemic brings. The report then outlines some possible recessionary scenarios and their impact on economic prospects. Within this, the report reviews that, depending on the economic structure and resistance of each country, some will be more overwhelmed than others and there will be a very irregular impact across different sectors. With different policies being adopted around the world, the report discusses the impact of negative interest rates. The report throws light on the uncertainty about the virus and how it bars us from any concrete finding and limits our trust in economic data. Though the geopolitical ramifications are yet to fully unfold as there is large uncertainty about the virus and its reach, this report discusses global risks that could potentially uproot and disintegrate the world economy with special emphasis on U.S.-Iran relations. The report also provides a sneak peek into the state of major economic indicators and their importance.***

Keywords: Recession, V-shaped, Negative Interest Rates, Gini Coefficient, Geopolitical, US-Iran, COVID-19

1. Introduction

Regimes around the world have faced a gruelling battle between saving lives and saving livelihood. Fighting COVID-19 has been tough. Governments and central banks have come out with their contingency plans and fiscal stimulus to strengthen safety nets and bring up robust monetary and fiscal policies. Policymakers face a difficult trade-off between the health benefits of these policies and their economic costs, since the more lucrative the containment policies are, and the flatter the infection curve is, the deep-seated the macroeconomic recession becomes. The question is how can we minimize the economic cost of this pandemic and ensure that the recovery is brisk rather than sluggish. In the process, countries are resorting to high levels of debt to immediately liquify their economic systems and pass hefty stimulus packages. Most economies saw the second wave of bailouts by governments as the economic catastrophe from the pandemic proves more severe either in the form of direct budget support or public sector loans and equity injections.

The IMF, in its world economic outlook, said it has doubled its emergency, rapid-disbursing capacity to meet the expected demand of about $100 billion. 103 countries have approached The IMF for emergency financing. The global debt has increased to 3 times its GDP ($84 Trillion (2018)) to approximately $253 trillion (Source: Institute of international finance,2020). This works out to be $32,500 for each of the 7.7 billion people on the planet. Moreover, with historic low levels of interest rates, it has become increasingly easy to stack up debt. These fiscal measures have budgetary and debt-related implications considering which, The World Bank has urged the governments around the world to make piling debt a primary concern. In the past 50 years, there have been 4 waves of debt accumulation. we are currently in the midst of a fourth wave and none of the past three have had a happy ending. Would economies be resilient enough to inflate the debt away?

The world has been struck previously by pandemics and unusual events that have had their impacts on the economy but we now live in a very different world compared with those that faced previous crises. Therefore, comparisons are dangerous and prone to errors. This time, we are facing a combined demand and supply shock, and economic tools are limited. The wide-looming structural impacts on the economy are something which the world has never seen before. Also, now the world's factory and the most affected nation, China, has a 16% relative importance in the world ecosystem compared to 4.31% in 2003, during the SARS outbreak.

Global economic indicators predict a gloomy picture of the world economy. South Korean exports, an insight into the demand for one of Asia's key exporters especially of technology fell 25.1% in April 2020 signalling a major demand shock. China's PMI or Purchasing Managers Index (PMI), a leading indicator of business and economic activity, both in the manufacturing and services sectors fell to 35.8 in Feb 2020 at the peak of the outbreak in China, a major cue to mend the supply chain problems. A PMI figure above 50 denotes expansion in business activity. Anything below 50 denotes contraction. Global PMI stands at 39.8 in April 2020, a figure close to what was experienced during the global financial crisis. None of the advanced economies and only one emerging economy, China has shown growth. For instance, India, climbing to a record high of 55.3 in January, tumbled down to a record low of 27.4 in April. From automobiles to TV sets, every high-tech wiring necessitates copper and chile, the world's largest producer of copper has seen a drastic fall in exports, as much as 32% in the Dec-April period. IMF, in its world economic outlook, predicted global output to shrink 3% and pegged GDP growth rate for advanced economies at -6.1%.

This unprecedented event in world history will test people and governments across the world on diverse issues. One of the key areas includes the world's economic conundrum and how it sets itself for recovery. Many people around the world have confused correlation with causation in establishing a link between economic impact and mortality rate. In the COVID-19 crisis, the evidence suggests there is no correlation between economic impact and mortality rates.

The backlash of governments, companies and consumers have all created a simultaneous demand and supply shock.

2. Uncertainty Paradox

The ambiguity around the virus has been one major hurdle in forecasting the real loss from the pandemic. Scientists around the world have had a hard time in labs determining the properties of the virus. Scientists have published more than 7,500 papers on COVID-19, but despite this inundation, we haven't seen a lot of huge plot twists. Should the inundation increase, where could they find refuge?

Donald Trump was asked what he'd say about the pandemic to a child. Amid a rambling answer, trump remarked, "you can call it a germ, you can call it the flu, you can call it a virus. You know, you can call it many different names. I'm not sure anybody even knows what it is." This is indeed the summary. Covid-19 has left people with many questions. Why do some people get really sick, but others a little less? Are the models too optimistic or too pessimistic? Exactly how transmissible and deadly is the virus? How many people have actually been infected? How long must social distancing go on for? Who is more prone to it? The old or the young? Why are so many questions not being answered? The confusion partly arises from the pandemic's scale and pace. The variability of COVID-19 is perplexing doctors. The uncertainty and a lack of clear trend in daily numbers is also an indicator of the randomness. An unclear definitive origin and a lack of proper testing have made it even more difficult to assess numbers. Moreover, any finding of the property of the virus could change. Once the liberalization of social norms is done, countries with more service-oriented economies are at a high risk of being more affected and have more jobs at risk. Travel hubs are at a high risk of a second COVID-19 wave.

Financial markets are currently reflecting great uncertainty. A wide range of scenarios remain plausible and are being explored by companies. There is also a large uncertainty around what ramifications and outcome would the government policy bring? The effect of government policies would be largely determined by consumer behaviour, which for now is also dubious. The reactions of firms and households are also uncertain. In the words of Kristalina Georgieva, Managing Director of the International Monetary Fund, "there is no single number that credibly captures or foresees Covid-19's economic impact." She stated that this is a "crisis like no other." We are only gradually learning about the virus, making social distancing work, and restart our economies. Pandemics are truly global and respect no boundaries, neither do the economic shock they cause. They are complex, with interlinked shocks to our health and our economies, which has brought our way of life to an almost complete stop. Were governments too late or just on time, only the future will tell. Questionably fickle in perfect times, forecasts look especially shady now as there are simply too many unknowable aspects. As the world becomes free to trade, spend and lockdown measures are eased, new economic data would facilitate any concrete findings and make room for greater clarity. But a return to the levels as before the pandemic would require patience until a lasting solution to the pandemic-likely in the form of a vaccine is found.

While the coronavirus pandemic poses a unique challenge to macroeconomic forecasters, the profession has faced similarly intriguing shocks in the past and emerged garrisoned. The global financial crisis of 2008 caught most economists napping, but the key-value data gained in areas such as the economics of financial contagion and the drawbacks of unconventional monetary measures have improved the reliability of today's forecasting models. In the same way, we hope Covid-19 will shine new light on dark areas such as behavioural economics — how consumer spending is affected by fear of contagion for instance — and the economic effects of radical fiscal policy. The knowledge gained could make the uncertainty of future economic crises, whenever and however they come, that bit less extreme. Until then, the only certainty is that any attempt at a definitive forecast will fail.

3. Recession and Recovery

The concept of recession is binary and blunt. All it says is that the expectations of growth have turned from positive to negative for at least two quarters and unemployment is rising. U.S unemployment data suggests that nearly 40% of low-earning households experienced job losses. The record-breaking pace of layoffs has seen people working on the edge. According to the labour department, more than 36.5 million people have filed for unemployment benefits in the U.S. in the last eight weeks. Goldman Sachs, a bank, estimates that three-quarters of laid-off workers are in line to receive benefits that exceed their former wage. This might not be the best use of public resources.

Recessions are although common events in a business cycle. Though unpleasant, they have a huge socio-economic impact. While some companies gain in recession, some could be affected adversely. Grocery stores may take in the cash, while people cut their expenses on outside extravagance and invite people home instead. On the other hand, a fear of recession might stop companies from innovating new products and have them improve their bottom line, instead. They are less likely to spend on research and rollout of new technologies, resulting in loss of productivity and skill atrophy. Recessions therefore can cause to rewrite the rules of businesses, mostly at a huge cost.

In theory, Economic equilibrium is attained where both producers and consumers are happy and incentivized. Problems occur when we shock this equilibrium. COVID-19 has done just that. With emerging demand and supply shocks, there is a disequilibrium between buyers and sellers when the latter has a credit crunch and the former is cautious and effectively poorer. At the time, when the idea of self-reliance or "Atmanirbharta" as decoded by Indian prime minister, Narendra Modi is considered to be the way out of this by many countries, this might be the biggest mistake upfront to lead economies into structural damage. Recessions are usually cyclical, not structural events that can cause great political upheaval and widespread economic unemployment and distress. Yet, there is a thin line that separates the two. The challenge here is to not allow this

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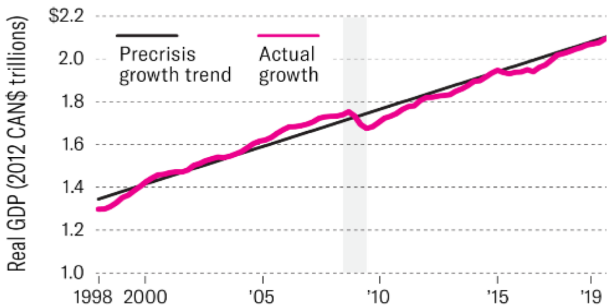
recession to cause structural damage. To illustrate, the global financial crisis was a (very bad) cyclical event in the U.S., but it had a structural loom. In times of darker outlook and less visibility, the overview of shock geometry may help us look at different plausible outcomes and how severe or not, the information about the catastrophe of the past events reflect.

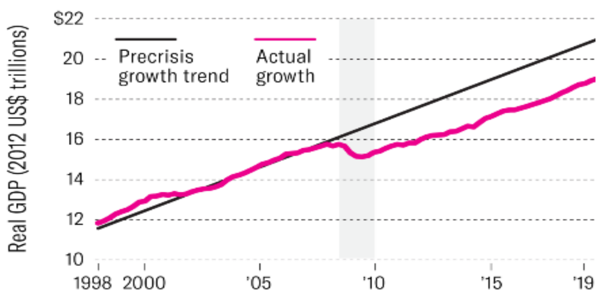
To illustrate, consider how the same shock —the global financial crisis — led to recessions with vastly different progressions and recoveries in three sample countries:

V-shaped (Canada)



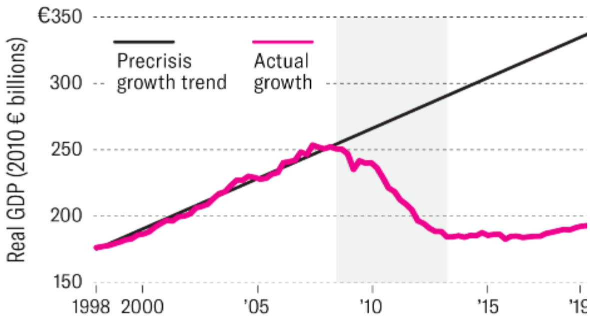
V-shaped: This scenario portrays the "classic" real economy shock, a temporary displacement of output, but growth eventually rebounds. In this scenario, annual growth rates fully absorb the shock. A V-shaped path may be shallow or deep. Canada in 2008 is a good example of a V shape recovery. It avoided a banking crisis: Credit formation flowed and capital formation was not as significantly disrupted. Avoiding a cascade helped keep labour in place and prevented skill deterioration. GDP dropped but climbed back to its pre-crisis trajectory. If liquidity problems persist and real economy problems lead to write-downs, capital problems can arise. Though it may seem optimistic amid today's gloom, this is plausible.

U-shaped (United States)



U-shaped: This scenario is the hideous plan of V — the jolt remains, and while the initial growth path is resumed, there is some permanent loss of output. For Covid-19, we'd want to see more evidence of the virus's actual damage to make this the base case. U.S. is a perfect example of a U shock geometry. Growth dropped steeply and never rebounded to its pre-crisis path. The gap between the old and the new remains large, showing a stiff loss of output and damage to the economy's supply side. This was due to a severe crisis that disrupted credit intermediation. As the recession dragged on, it did more damage to the labour supply and productivity. GDP fell and never returned to its pre-crisis path. U-shaped recovery is similar to a V-shaped recovery except that the economy spends a longer time floundering along the bottom of the recession rather than immediately rebounding. A U-shape recovery may come with a deep drop to a new growth path or a small one. It's is a costly version of a V-shaped recovery.

L-shaped (Greece)



L-shaped: Greece is the third example and of the worst shape — not only has the country never recovered its prior output path but also its growth rate has declined. The distance between old and new paths is widening, with lost output continuously growing. This reflects lasting structural damage to the economy's supply side. Capital inputs, labour inputs, skill atrophy, and productivity are repeatedly damaged. For this to be a plausible scenario, we would have to believe in COVID-19 ability to do some serious damage to the economies' supply side. Months of lockdown have had a serious impact on labour supply and capital formation but at some point, we will be on the other side of this epidemic. This is difficult to comprehend even with a pessimistic outlook. This will not be a forever misery.

It is important to recognize that each of the shock scenarios outlined above will neither be inevitable or linear and uniform across geographies. Different countries will go through a different shock geometry according to their destiny of structural resilience to absorb shocks and the innovative capacity of medical researchers and policymakers to respond to an unprecedented challenge. Can they create novel interventions, at unprecedented speed, that will break the intractable and unattractive trade-off between lost lives and creating economic misery? V-shapes monopolize the empirical landscape of prior shocks, including epidemics such as SARS, the 1968 H3N2 ("Hong Kong") flu, 1958 H2N2 ("Asian") flu, and 1918 Spanish flu. At this juncture, both a V-shape and a U are possible outcomes. The skirmish ahead is to prevent a clear U and an L shaped trajectory. The fight has started and without innovation, the odds are not in favour of the less damaging V-shaped scenario.

The confusing downside risks and the bleak tone of financial officials in addressing these issues have caused a widespread crash in markets. Credit markets do not yet foresee funding and financing problems but equity valuations have conspicuously fallen from recent highs. A stark drawdown in global financial markets might seem to indicate that the world economy is on a path to recession. While financial markets are a relevant recession indicator, history shows that bear markets and recessions should not be automatically conflated. In reality, the overlap is only 66%. That is, one in every three bear markets in the U.S. are non-recessionary.

4. Negative Interest Rates

There have been various dramatic policy responses by government and monetary authorities around the world to cater to this shock. One, that has always tweaked the brains of economists and policymakers has been the idea of negative interest rates. Negative interest rates come on the radar of policymakers to encourage spending in an economy that has otherwise gotten in a slump. Here, it's a rational fear of a contagion draining wealth. People or institutions are inclined to amass liquid money, rather than spend or lend it. When negative interest rates are implemented, banks charge interest to keep cash with them, rather than pay interest. This pushes banks to make loans during a period in which they would rather hang on to funds. It would be costlier for them to deposit money with the central banks in the form of reserves. The idea is to make people and institutions spend and not lock up. Findings suggest that banks are willing to disburse earmarked loans at below-market interest rates to riskier borrowers, as long as the banks can adjust the interest rates of other credit products in the competitive credit market to these same firms (suggesting a type of cross-selling strategy).

Negative rates would deliver, but there is ambiguity they could vex financial markets. Banks could face losses rather than squeezed profits and also need to pay to hold deposits rather than collect interest, which could make them even less likely to provide credit. Equity valuations may fall as investors could start avoiding them and seek profits elsewhere. Extremely low-interest rates also cram banks for net interest margins—the difference between interest generated on assets and interest spent on liabilities. A persistent period of low-interest rates is likely to put pressure on bank profitability in the long run and thus drift away potential investors. No dividend rollouts, a likely circumstance of protecting free cash flows could also smudge the image of banks in the money market. However, not to deny the increase in non-interest earnings of banks through dynamic economic activity, mostly as part of fees earned through increased mergers and acquisitions. For the most part, it's unclear how much of an economic gain negative interest rates would deliver.

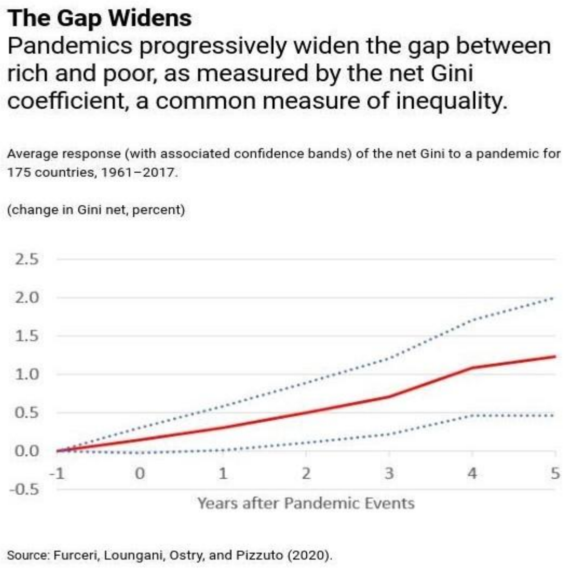
U.S. President Donald Trump, who has always been a fan of negative interest rates, urged the federal reserve to go for it. Jerome Powell, the chairman of the federal reserve dismissed this plea and briskly stated that the Fed won't adopt negative interest rates to counteract the coronavirus recession. Much like most policies, economists end up being on both sides of the coin, some advocating the idea of negative interest rates while some remaining averse to them, claiming that banks should instead focus on asset purchases and boost their lending programs before they try negative interest rates. They warn that weakening currency could also be an illegal action, for example, China has been accused in various years in the past for deliberately devaluating the yuan. They are suspicious about how low the rates can be before they start to abnormally hurt the economy. Advocates of negative rates say that they help in weakening the currency and in turn giving a competitive advantage and boost inflation by scaling up import costs. The Fed's interest rate sits at a range of 0% to 0.25%, a historic floor last implemented during the 2008 financial crisis.

According to IMF, $9Trillion global fiscal stimulus has been allotted by governments around the world for rebuilding the post-COVID-19 economic systems. Many advanced economies in the world have rolled out support packages. Japan's economic stimulus package is 21.1 percent of its GDP, followed by the US (13 percent), Sweden (12 percent), Germany (10.7 percent), France (9.3 percent), Spain (7.3 percent), and Italy (5.7 percent). There have been unrestricted outflows of stimulus packages to help the most vulnerable small businesses and institutions to survive mainly in the form of easing credit norms and capital formation. While disbursing loans might seem to be a good idea to help small businesses start their dream journeys, studies show that they seldom face unprejudiced demeanour from private banks. Such government-sponsored or earmarked loans that rely on government funds to finance firms at below-the-market interest rates often are partial and do not create a level playing field for all businesses and thus, defeating the purpose for which they were sponsored. Some argue that the stimulus mitigates the supply-side risks but do nothing to extenuate the demand-side intricacy.

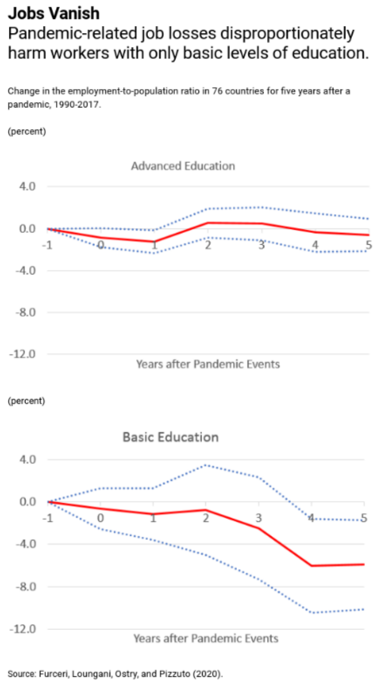
Using rich loan-level data between 2005–2016, the paper published by the Development Research Group, Development Economics of World Bank in July 2019 finds out that private banks are disproportionally more likely to extend earmarked loans to larger firms and firms with an existing credit relationship. Banks that service an earmarked loan bear part of the credit risk of this loan. Banks reduce these risks by selecting borrowers that are ex-ante less risky (larger customers and already established clients). The paper further documents a cross-selling strategy whereby banks increase the price of free-market loans of riskier borrowers that also obtain earmarked credit. Inadvertently, the government selects winners and losers, since most larger businesses, those that bank with the largest private lenders, and those willing to bundle free-market and earmarked loans disproportionally access the program. The paper focuses on one of the world's largest second-tier lending programs: the case of Earmarked Credit in Brazil. The study also finds out that about 6 percent of the firms are granted earmarked credit. Somewhat surprisingly, most of these firms obtain multiple and frequent earmarked loans — with the median time between consecutive earmarked loans being nine months. Perhaps less surprisingly, 92 percent of the firms with multiple earmarked loans exclusively receive this credit from the same bank. The key policy question is how to target the funds better and make programs better and more focused on targeting and less focused on proportion and immediacy. The report also summarises that a large portion of government lending funds are not going to the most vulnerable firms might be the norm rather than an exception.

5. Lasting Consequences

In January, the IMF expected global income to grow 3 percent; it is now forecast to fall 3 percent, much worse than during the Great Recession of 2008-09. Behind this sinister evidence is a prophetic possibility: if past pandemics are any guide, the toll on poorer and vulnerable segments of society will be several times worse. Indeed, a recent poll of top economists found that the vast majority felt the COVID-19 pandemic will worsen inequality, in part through its disproportionate impact on low-skilled workers. Major epidemics in this century have raised income inequality and hurt the employment prospects of those with only a basic education while scarcely affecting the employment of people with advanced degrees.



Considering five major events—SARS (2003), H1N1 (2009), MERS (2012), Ebola (2014) and Zika (2016)—and tracing out their distributional effects in the five years following each event, it was found out that on average, the Gini coefficient—a commonly-used measure of inequality—has increased steadily in the aftermath of these events. The measure of the Gini is based on net incomes, which are market incomes after taxes and transfers. Results show that inequality increases despite the efforts of governments to redistribute incomes from the rich to the poor to mitigate the effects of pandemics. After five years, the net Gini has gone up by nearly 1.5 percent, which is a large impact given that this measure moves slowly over time. Such effects occur due to job loss and increased unemployment. The low skilled is filtered out first when companies lay off employees. Research has shown that there is a disparate impact on people witch basic education, one measure of skill. The disparity is stark: relative to population, the employment of those with advanced levels of education is scarcely affected, whereas the employment of those with only basic levels of education falls sharply, by more than 5 percent at the end of five years.



Increasing income inequality may further lead to men becoming more violent and see themselves as on a higher social status. Relative poverty may increase leading to unexpected ramifications. The more parasitic and transmissible disease is in a particular locale, the higher the probability that people, when measured at an individual level will hold authoritarian attitudes. Further, this may give rise to more totalitarian regimes and repressive governments. China's new security law has launched rule by fear in Hong Kong and an ongoing public health crisis could also be a threat to political and financial stability within China itself. Places, where democracy's roots are shallow and institutional checks, are weak, strongmen, and autocrats have used the pandemic as an excuse to seize more power. They have realized that now is the perfect time to grab power at the expense of the people they govern, safe in the knowledge that the rest of the world will barely notice.

The discriminatory Impact of Covid-19 on black health care workers in the U.S. is appalling. Racial disparity has become common. New cases of racism and white alt-rights have surged. The adage that "when white America catches a cold, black America gets pneumonia" has become a chilling reality. Though blacks are only 22% of New York City's population, as of mid-April they constituted 28% of fatalities from the virus. In Chicago, where blacks are 30% of the population, they comprise 70% of those killed by Covid-19. In the state of Louisiana, blacks are 32% of the population but 70% of those dead from the disease. According to interviews, black doctors are more likely to treat black patients creating a deep emotional connection with them and taking this as an opportunity to help their community who they believe to have disadvantaged amidst the racial storm. For poorer segments of the society who lack a savings cushion, there is an immediate need to pacify the harm inflicted upon them, especially in regions, where informal work and self-employment are pervasive and where social protection systems are scant.

Another lasting consequence of Coronavirus disease has been an indirect and a direct loss of consumer confidence.

While financial market performance and consumer confidence correlate strongly, long-run data also shows that consumer confidence can dip even when markets are soaring. Though there is still a conundrum of bear markets and bullish GDP and how that has fared behavioural economics, there is less evidence, that it could help build upon consumer confidence. This appears to be a direct hit on confidence, keeping consumers at home, weary of discretionary spending, and perhaps pessimistic about the longer term. A classic transmission of exogenous shocks to the real economy is via financial markets- they become part of the problem. As markets fall and household wealth contracts, household savings rates move up, and thus consumption must fall. This effect can be powerful, particularly in advanced economies where household exposure to the equity asset class is high, such as the U.S. This is the indirect effect and can cause greater damage than the direct effect.

The above two scenarios are demand shocks, but there is an additional transmission risk via supply disruption. As the virus forces companies to shut down production and disable critical components of supply chains, gaps turn into problems, production could halt, furloughs, and layoffs could occur. Relative to the demand impact, a supply shock is secondary. The most vulnerable companies are those which rely heavily or solely on factories in China for parts and materials. The activity of Chinese manufacturing plants has fallen in the past months and is expected to remain depressed for months. It is possible that the Chinese New Year's week-long vacation motivated some companies to increase their inventory coverage by another week which will allow them to match their supplies with demand, with no additional supply, for between two to five weeks. Equally important, mounting pressure to reduce supply chain costs could motivate companies to pursue strategies such as lean manufacturing, offshoring, and outsourcing.

The pandemic may leave populations with serious anxiety issues and major health problems resulting from months of social distancing and limited access to resources. Months of lockdown and restricted travel may cause public places that were closed for long, become breeding ground for fungus and bacteria. Such fungus or bacteria are going to cause major respiratory problems creating a future risk of infections. Excessive workload environment has left employees breathing for space. Today the key difference between job roles has shifted from males and females to parents and non-parents. Doing housework, managing children in absence of caretakers and timely resuming zoom meetings may exhaust parents working as employees and cause post-traumatic stress disorder, an inevitable mate of pandemics causing enormous socio-economic consequences. Those without children are, for the most part, getting a lot done. Those with kids at home are litigating as if sinking in quicksand. We see how a pandemic can play a level field as some men now take more household domestic responsibility than they used to.

6. Geopolitical Ramifications

The inward-looking lurch of global economies on open and free trade has caused the existing global trade wars to escalate, leaving the economy vulnerable and spread geopolitical instability. India, talked about self-reliance to be the way forward and Japan has subsidies for firms that repatriate factories in its COVID-19 stimulus package. France and Britain have wrangled over quarantine rules and china is threatening Australia with punitive tariffs for demanding an investigation into the virus's origins. OPEC's deal with Russia has done little to ramp up oil prices and Oil remains to be a complex commodity amidst escalating US-IRAN tensions. European Union officials are creating a fund to buy stakes in firms and America is urging Intel to build plants at home. U.S may further disintegrate consensus between EU and the U.S. by imposing retaliatory tariffs (100% tax on luxury goods and wine imported from France) against France's digital tax, which the U.S. believes to discriminate against its companies. The US has repeatedly threatened to impose tariffs on imported cars from the EU.

This threat looms large for Germany in particular, which is a significant producer of automobiles and whose industry is still recovering from the diesel emissions scandal. Germany has for the past two decades been the powerhouse economy in the EU but has more recently seen sclerotic growth. EU-US tensions will rise further this year, as the first phase of the US-China trade deal causes the US's attention to shift back to the EU's trade surplus with the US. The concealed nihilism of global governance is being exposed. The system of open trade is so injured that the powerful arguments in its favour are being neglected. The economic unanimity that welcomed broad support for open trade is breaking down, and escalation in trade tensions is likely. The White House remains on the warpath about trade and third countries are forced to choose sides risking global trade wars as countries choose to counteract maximum pressure with maximum resistance.

7. US-Iran Tensions

Political rivalries and trade tensions between the U.S. and Iran dates back to the times when Iran was still Persia and has seen various de-escalations since then. From praising Iran for making the U.S. an "Island of stability" by President Jimmy Carter to declaring Iran as an "Axis of evil" by President Bush, U.S. and Iran have been ambiguous in their foreign policy against each other. Relations have grown more adversarial since the 1979 Islamic revolution. America has been apprehensive about Iran's strong presence in the middle-east blaming Iran for illegal uranium enrichment and terror propaganda, Iran on the other side has accused the U.S. of interfering within Iran's internal affairs, never forgetting America's role in 1953 Coup that aimed to install a pro-western government in Iran, targeting the then Prime Minister, Mossadeq and his government to replace it with a pro-western government under Shah's leadership with Zahedi as its Prime Minister. President Hassan Rouhani also drew parallels between the assassination of general Soleimani and US-engineered coup.

The conflict between these two rivals could trigger a destabilizing spike in oil prices but Iran would be cautious of its military power and financial means before going to war with the US. There is a distinct possibility that the Strait of Hormuz, through which about 20% of global oil supplies

transit could be closed for an extended period of time. Although the US and Russia have the capacity to ramp up oil production to avoid a temporary supply shock, a prolonged disruption could cause oil prices to rise to as much as US$90/barrel, fuelling a rise in global inflation and dampening consumer and business sentiment. There is a high risk that Iran will launch targeted attacks against US interests in the Middle East. Such attacks are likely to take place in countries where the US and Iran support different sides or regimes, such as Yemen, Lebanon, Syria, and Iraq acting as regions for fuelling proxy wars. Cyber-attacks from both sides are also a distinct possibility. The US or one of its allies, such as Israel, could paralyze Iranian nuclear facilities through the use of computer viruses. Iran also has the sufficiency to wage cyberattacks against US companies.
It would be tough for the entire world until these two sides agree on peace and the shouts of "Hey US! You started it. We will end it" stop to echo in the corridors of Iranian streets. The political outcast and open threats of malice are significant of the fact that the trade between the two countries is not actually at the heart of their trade war. A paralysed world is making solving global problems harder, including finding a vaccine and securing an economic recovery.

8. Advantages in Adversity

While there is a plethora of consequences a pandemic can bring, there are some advantages that could help humanity pick options from a pool of innovative ideas which was earlier only seen as a mirage. Though this pandemic would leave the world with a stint, it will also leave behind some macroeconomic and microeconomic legacy and expose the enigma of a quintessential worker. Crises, including epidemics, spur the adoption of new technologies and business models. The SARS outbreak of 2003 is often credited for instilling online shopping habits among Chinese consumers, strengthening Alibaba's rise. Businesses have now become open-minded and put to action, plans that they would otherwise stumble on. New business techniques have emerged with more emphasis on technology and social media.

From a business point of view, Coronavirus has really humanized leaders in the pursuit of trying to make it clear that we are all in this together. Managing their work, children, dog, and an old grandmother has taught them lessons in management and organizational skills that no textbook can. They have realized that this is the path forward to better employee engagement. A recent study found that disengaged employees cost employers 34% of their annual salary. Financial markets are currently reflecting great uncertainty but leaders haven't allowed financial markets gyrations to cloud judgment about the business they lead. A wide range of scenarios remain plausible and have been explored by companies. Businesses have learned the knack of furloughing employees rather than laying them off-especially useful when businesses are allowed to reopen but face weak demand in an attempt to cut costs and survive deep recessionary periods. With such a program, workers don't get the message that they've lost their jobs. They get the message that things are on pause.
Under COVID-19, many jobs that were impossible to do remotely went online with little transition time and modest outlays. The unthinkable became mundane when calamity struck and businesses managed to recover better and adapt faster. Companies have now invested the time and money necessary for uninterrupted remote access and older employees who were not as tech-adept have now installed the time to figure it all out. Supervisors have figured out how to supervise people without physically breathing down their necks. But we have to recognize that long-term telecommuting is different from the crisis-related working-from-home that's now widespread. Lots of research shows that telecommuting typically makes workers more productive – not surprising given the amount of sports chatter around the water cooler. Remote work also makes people more engaged and satisfied and less likely to quit. Remote workers also often work longer hours – not surprising since the average American spends 54 minutes a day commuting.

For sales and businesses that have had a hard time coping with stagnant demand and a rather dormant supply, this is a great opportunity to reallocate labour flexibly to different activities and shift sales channel mix. Businesses should prepare for a faster recovery than they expect and expect different recovery speeds for different sectors. They should not become dependent on projections Considering the time it takes to formulate, disseminate, and apply new policies in large companies, recovery planning needs to start while still reacting to the crisis. Corporates have a great chance of making a breakthrough product that could shine in the market by spotting new consumption habits being formed. Chinese businesses have been quick and agile in reacting to the situation, focussed on consumer confidence signals, trusted their instincts, and leveraged their company's data in calibrating insights. They have taken this opportunity to increase customer penetration and sales by innovation and insightful stride into the wide array of new habits and consumption patterns developed within individuals. With schools in the U.S., Japan, and many other countries closed as a safety measure against the mass spreading of the disease, could E-education be the next big thing? Have digital efforts within countries to contain the crisis via smart-phone trackers effectively demonstrated a powerful new public health tool? Has the pandemic caught economists off guard and taught them to include the epidemiological effects of biological causes in their thesis of study? All this remains an unchartered territory and only the future will behold the profits.

Well, there's a lot to be done to bear the fruits of this pandemic such as creating a cohesive corporate culture in a work from home environment and fighting the mortal enemy of productivity, procrastination, so that employees could get things done and meet external guidelines without the pressure of the boss or colleague. Businesses should keep in mind that a V-shaped recovery is a plausible scenario conceptually and empirically, but that shouldn't make them self-righteous. They should plan for the best and prepare for the worst trajectories and begin to look past the crisis. Businesses should focus on how to address the post-crisis world. Can they be a part of the faster adoption of new technologies, new processes and eventually find an advantage in adversity for their company, clients, and society? Policymakers have the opportunity to make fundamental changes and be prepared for further inevitable shocks, including from the effects of climate change. Societies now have the time to keep in place social compensation mechanisms that will protect the most susceptible much better than they do today. Otherwise, the impacts would be harsh, leaving people with weak healthcare systems amidst large populations packed within dense cities.

As a smart person once said, never let a good crisis go to waste. We should not waste this one. Instead, let's work together to ensure that we emerge out of it better and a silver lining of this vast and frightening pandemic is a new definition of the worker as someone ambitious, focused, and committed—but who must also balance work obligations with caregiving responsibilities. Ultimately, a society founded on support and built on compassion during challenging times is a strong one —one in which health, both physical and mental health, can flourish.

9. Conclusion

In a strongly integrated world, the ramifications of disease go beyond mortality. While, the most fundamental function of a government is to keep its population safe, yet it has to keep its macro-economic position in check. Thomas Sowell, in his book, 'A Conflict of Visions: Ideological Origins of Political Struggles' best summarises this perplexity by saying "There are no perfect solutions. Only trade-offs.". This pandemic has brought an indirect and a direct hit to consumer confidence and people would be cautious in spending. In a world, where nobody talks about savings anymore, consumer spending is a key to rehabilitate the economy. A look at how an average U.S. consumer, the pillar of the world economy is faring tells that consumer spending in the U.S. plunged to record low of -7.5% for month ending March, a level never seen during the global financial crisis, showing bleak signs that the trend will reverse in the short to medium term. If the government does not tighten monetary and fiscal stance and use of loose policies to pacify the economy is extended into 2021, it would bring up concerns about the large debt and long-term financial support. Since the role of asymptomatic patients is still dubiously understood, the true rates of infection and immunity are uncertain, especially where testing is finite. This pandemic, brings with it, a loss of productivity of employees working in different jobs and a huge learning loss, as 85% of schools around the world are closed and 30 million kids are out of school. Political ramifications are large, as the virus exposes various political systems' ability to protect their populations. Fragile institutions could be exposed, and political shifts triggered. Depending on its perpetuation and mutability, Covid-19 could even shape the U.S. presidential election. At the multilateral level, the crisis could be read as a cry for more cooperation or conversely push geopolitical power further apart. It looks like the virus will hasten the progress to more decentralized global value chains into a more fragmented direction. The right way to make supply chains more flexible is not to pet them, which concentrates risk and sanctions economies of scale, but to variegate them. The world would be effectively poorer, the implications of which lie on the disadvantaged of the society creating a wide room for inequality and disparity.

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