VANCOUVER YOUTH MODEL UNITED NATIONS 2020

ECONOMIC AND FINANCIAL COMMITTEE

Background guide

Dear Delegates,

My name is Rafeeq Kassam-Jiwani and it is my pleasure to be directing the Economic and Financial Affairs Committee at VYMUN 2020. I hope to facilitate a committee where delegates can enhance their skills of critical thinking and debate. This year, we will focus on two topics: Economic Recovery of Post-Conflict States and the Impacts of COVID-19 on the Global Economy.

Economic Recovery of Post-Conflict States is an important and urgent issue that is relevant to all countries. Reconstructing the economies of post-conflict states is key to an economically stable and healthy global community. ECOFIN aims to create a comprehensive plan to aid nations in becoming economically self-reliant and independent as soon as possible. This committee will discuss not only reconstruction but also economic development and empowerment. If post-conflict nations simply receive foreign aid, they will be unprepared to face the challenges should their economy collapse again. Although foreign aid is key for immediate economic resurrection, ECOFIN needs to give nations a way to rebuild while establishing permanent institutions, so that countries can be better prepared for a future economic crisis.

Our second topic, Impacts of COVID-19 on the Global Economy, brings the committee into uncharted territories. ECOFIN at VYMUN 2020 will be the first committee to discuss and create solutions for the economic instability created by COVID-19. Delegates will need to understand how the economy functions and behaves during a pandemic, which requires the knowledge of past successes and failures. Once the world has combated the disease itself, the global economy, too, will be in desperate need of recovery.

If you have any questions or concerns, please don't hesitate to contact me at *ecofin@vymun.com.* I look forward to seeing you all in October.

Most sincerely,

Rafeeq Kassam Jiwani
Director of ECOFIN | VYMUN 2020

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Economic Recovery of Post-Conflict States

Questions to Consider

1. Has your country ever been in a foreign aid transaction? If so, what was its role? Was it a successful example of foreign aid administration?
2. What is your country's position on foreign aid and its distribution? Do your citizens support giving foreign aid to nations in need?
3. Should ECOFIN work with external bodies (such as the International Monetary Fund or World Bank) to help make decisions for developing countries, or should ECOFIN work by itself with these nations?
4. What solution could ECOFIN adopt to help all post-conflict states, not just a select few?

Overview

The economic reconstruction of post-conflict states is vital for a functioning global economy. Due to globalization and increasing wealth gaps, many affluent nations feel compelled to aid those in need. Traditionally, foreign aid has consisted of relief personnel and supplies. However, as humanity progresses, the definition of foreign aid is not confined to those resources. Today, foreign aid comes in many varieties, one of which is financial aid.

During conflicts, the international spotlight and relief effort priorities shift to the lives being lost, the territory being fought over, the human rights being abused and ignored. The economy takes a backseat during this period—and rightfully so. However, when nations emerge from the dust, broken and torn apart, the economy is often in shambles. Rebuilding the economic structure of post-conflict states is essential for getting the government, citizens, and nation as a whole back on track. Naturally. these states will be dependent on foreign economic aid, but the goal of ECOFIN is to create a well-thought-out plan to help nations become economically self-reliant and independent as soon as possible.

As the second general assembly in the UN, ECOFIN has a responsibility to help its members in economic crises as it is committed to achieving economic prosperity for all its members, including developing countries. Once countries such as Venezuela and Yemen are economically stable, the global economy will be more buoyant. The global economy will be uplifted: poverty rates will decline, health standards will rise, and global trade will increase. It is critical for ECOFIN to help post-conflict economies as ECOFIN specifically focuses on poverty eradication and global interdependence.

Timeline

1921: The newly formed League of Nations carries out the first international post-war economic reconstruction effort in Austria[1].

[1] https://encyclopedia.1914-1918-online.net/article/post-war_economies_austria-hungary

1939-1945: World War II takes place and is the deadliest conflict in human history. However, in some cases, war has positive economic effects. In Canada, for instance, unemployment drops from 11.4% to 1.4% due to the creation of jobs to match the rising demand for war resources[2].

1944: The World Bank is created. It assists with loans to developing nations and is headquartered in Washington DC.[3]

1947: The Marshall Plan is instituted. This is the first large scale economic aid program. The United States spends more than $13 billion to assist in the reconstruction of Europe.[4]

1967: The Aga Khan Development Network is founded. It is a network of private, non-denominational development agencies founded by His Highness the Aga Khan. The AKDN assists with microfinance in the poorest parts of Asia and Africa, which is economic aid at the individual level.[5]

1995: The International Monetary Fund (IMF) creates the Economic Post Conflict Assistance (EPCA) program. An extension to their emergency assistance framework, the EPCA improves a high-risk nation's ability to implement economic reparation measures.[6]

1997: The World Bank creates the Post-Conflict Trust Fund, which assists nations after times of war and conflict.

2007: Hyperinflation begins in Zimbabwe under Robert Mugabe. It is deemed the worst economic crisis in Africa at the time. The government starts printing 100 trillion Zimbabwe dollar notes.[7]

2008: The United Nations approves the Post-Conflict Employment Creation, Income Generation and Reintegration policy, which serves in aiding the reconstruction of fundamental parts of the economy after war, specifically income generation.

2015: The World Bank sets two goals for 2030: ending extreme poverty by "decreasing the number of people living on less than $1.90 a day to no more than 3%," and promoting shared prosperity by "fostering the income growth of the bottom 40% for every country."[8]

Historical Analysis

The establishment of the League of Nations in 1920 by American President Woodrow Wilson was groundbreaking in protecting human rights and reconstructing post-conflict states in areas including the economy. The League pioneered and championed the idea of global unity, and paved the way for the United Nations, which serves a very similar purpose today. At the time of the League of Nations' creation, Austria faced severe economic stress due to its participation and active

[2] https://ingeniumcanada.org/channel/articles/the-canadian-economy-and-the-second-world-war
[3] https://www.worldbank.org/en/about/history
[4] https://www.history.com/topics/world-war-ii/marshall-plan-1
[5] https://www.akdn.org/our-agencies/aga-khan-agency-microfinance
[6] https://link.springer.com/article/10.1007/s11558-008-9039-0
[7] https://www.economicshelp.org/blog/390/inflation/hyper-inflation-in-zimbabwe/
[8] https://www.worldbank.org/en/about/what-we-do

involvement in World War I. The League's assistance in Austria was a pivotal act in the evolution of international foreign economic aid, paving the way for a steady evolution." They provided loans for Austrian businesses, created an oversight committee to ensure standards were being met, and reformed the public financial system.[9] The League of Nations successfully assisted Austria in rebuilding its economy to be stronger than it had ever been before, while simultaneously inventing the definition of foreign economic support.

After World War II, the Marshall Plan, which is a more accurate representation of what post-conflict economic reconstruction looks like today, was established and implemented by the United States. The Plan, solely executed by the United States, provided more than $15 million in foreign aid on a per capita basis to Western Europe. The US presented aid in varying amounts, with American allies receiving significantly greater amounts of aid, shaping the economic map of Europe as it is today. The Marshall Plan saw an increase of 15-25% in GDP in the nations it assisted[10].

Currently, the largest financial crisis is the Venezuelan financial crisis, created and worsened by political tensions. The bolivar (Venezuela's currency) has been rendered worthless, with citizens needing baskets of cash to buy mundane items. A new currency was introduced to combat hyperinflation but did next to nothing in solving the overall problem. It is impossible to aid a nation if its government only accepts it from certain allies.

Venezuela is a prime example of the need for financial aid to post-conflict states. The crumbling Venezuelan economy is now considered the greatest economic collapse in history. Its economic impact was larger than the fall of the Soviet Union, Cuba's 1990s disaster, and even the collapse of the Zimbabwean economy under Robert Mugabe. The nation as a whole is devastated, and until the economy is revived in some way by international aid groups, progress will be little to none. Kenneth Rogoff, former chief economist at the International Monetary Fund (IMF) said, "It's really hard to think of a human tragedy of this scale outside of war." To find economic devastation to this scale, economists had to date back to wars such as the Lebanese Civil War of the 1970s. Unlike Lebanon, Venezuela was not shattered by armed conflict. Rather, the nation was crippled by political strife. Once the most affluent country in Latin-America, President Nicolas Maduro and his predecessor Hugo Chavez drove the economy into a tailspin fueled by inflation, corruption, and misguided policies. More recently, the Trump administration imposed sanctions to attempt to further cripple the country.

As the economy took a nosedive, gangs took control of towns, shut down public services, and raised prices for basic essentials. Most citizens could only afford to purchase a few kilograms of flour a month. In markets, butchers dealing with frequent blackouts desperately tried to sell decomposing meat by nighttime. Former workers scoured through garbage to look for leftover food and recyclable plastic. In Maracaibo, a city on the border of Venezuela and Columbia with a population of two million people, almost all butchers stopped selling meat cuts; instead, they sold fat shavings and cow hooves, which were the only animal protein most customers could buy. The crisis was exacerbated by American sanctions, which tried to force President Maduro to concede power to the opposition leader, Juan Guaido. The Trump administration also sanctioned Venezuela's state oil company. Seeing as oil is Venezuela's main commodity, this sanction has

[9] https://www.history.com/topics/world-war-ii/marshall-plan-1
[10] Ibid.

made the economic crisis much worse.[11] Maduro blames the United States for Venezuela's economic hardship, saying that "We are fighting a savage battle against international sanctions that have made Venezuela lose at least $20 billion in 2018… They [the United States] are pursuing our bank accounts, our purchases abroad of any products. It's more than a blockade, it's persecution."[12]

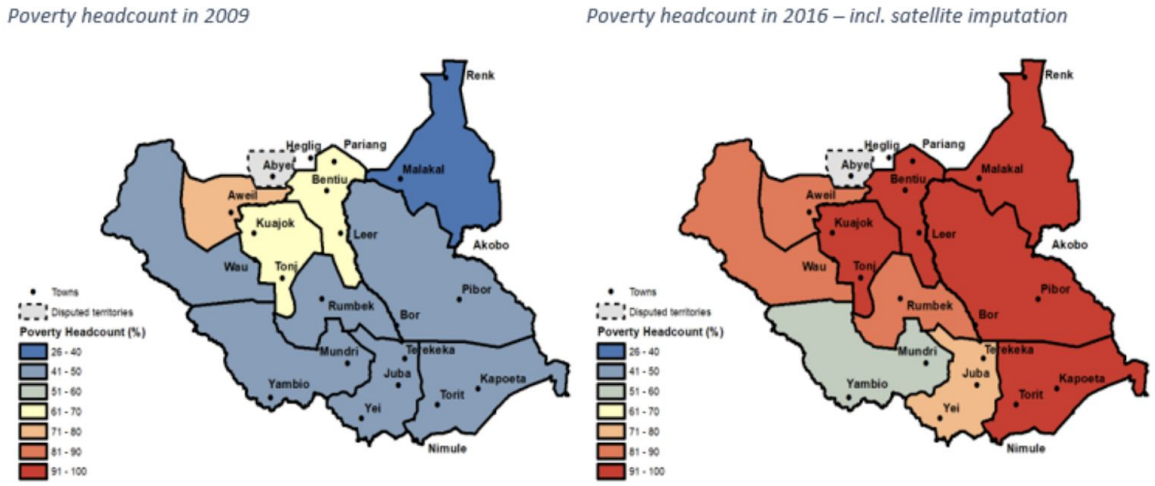
Past Action

The United Nations is experienced and adept in handling the economic recovery of post-conflict nations, which typically requires diplomacy and international cooperation from its members. Currently, the IMF is involved in the reconstruction of the economy of South Sudan. South Sudan does not have economic diversity and relies almost entirely on crude oil. The IMF has spent time working with the Sudanese government searching for ways to diversify the economy to create an economic safety net, should the oil industry fail. The IMF aims to "help the country restore macroeconomic stability and the basis for sustainable growth."

In 2011, South Sudan gained independence and became its own sovereign state. Although rich in oil, the nation has faced serious economic challenges from the beginning of its independence. With 51% of the population living below the poverty line, civil war erupted in the country, causing massive macroeconomic repercussions. Poverty levels rose to 82% by 2016, and by December of 2017, more than a third of South Sudan's overall population, or nearly 4.5 million people, were displaced from their homes.[13] Falling oil prices and the lack of a diverse economy combined with armed conflict led to one of the worst African economic crises ever. 12 million citizens live in very rural areas, meaning that economic activity is largely limited to the agriculture sector. For many of those living in rural poverty, civil war devastated their livelihood.

Another crippling factor was severe inflation. The Sudanese pound depreciated quickly, making imports such as food much more expensive. As the price of oil dropped, the government printed more money, leading to more and more inflation.[14]

[11] Ibid.
[12] Ibid.
[13] https://blogs.worldbank.org/africacan/how-conflict-and-economic-crises-exacerbate-poverty
[14] https://microdata.worldbank.org/index.php/catalog/2914



In the visual above, it is clear that many regions in South Sudan that had between 26% - 40% poverty in 2009 shifted into the red zone with 91% - 100% poverty in 2016. This figure is a firsthand example of the economic instability and hardship experienced by citizens during armed conflict.

More recently, in 2008, the UN approved the Post-Conflict Employment Creation, Income Generation and Reintegration policy.[15] The three sections of this policy are targeted towards the increase of employment capacity in developing nations. The first section is aimed at the immediate actions that can and should be taken to provide relief for unemployed citizens. It outlines the feasibility and logistics of creating temporary employment and grants for self-employed citizens. The second section includes alleviating stress on the community through community-driven recovery programs and economic recovery measures. The last section is centred on the idea of developing the private sector and creating more policies directed to economic stability.

In 2008, the UNDP published the report "Post-Conflict Economic Recovery - Enabling Local Ingenuity." This report aims to help countries bounce back immediately after a violent conflict by focusing on the conditions for self-sustaining and inclusive growth. This report covers a wide range of areas of this topic, including macroeconomic policies, the role of the governing state, and indigenous drivers of the economy's journey to recovery. It also emphasizes that economic recovery is a key part of avoiding a resurgence of violence and conflict. An important point discussed within the report is to consider how the variation between countries, especially in terms of the type and length of the conflict, affects a country's economic recovery.

Current Situation

Inflation

During conflict and economic turmoil, one of the challenges faced is inflation and/or hyperinflation. Inflation is the rate at which the price of goods and services increases, which is common in most nations as time progresses. Hyperinflation is where inflation occurs at a much more rapid pace, and prices in an economy spiral out of control. During hyperinflation, daily goods such as milk can only be bought with stacks of cash. In 2007 in Zimbabwe, citizens were bringing wheelbarrows of money

[15] https://www.ilo.org/employment/Whatwedo/Publications/WCMS_117576/lang--en/index.htm

to buy bread, and the government was issuing 100 trillion Zimbabwe dollar notes. In 2009, the government of Zimbabwe stopped producing bills completely and planned to switch over to the United States Dollar by 2015.

Post-Conflict Circumstances

A conflict's duration is also a vital consideration in any economic reconstruction discussion and an aspect that many individuals, governments, and organizations often fail to comprehend. Often, tension still exists once a conflict is "officially" over. Ethnic tensions, crime, and a mistrust of the government are just a few of the many consequences of years of conflict. This aftermath hinders investment and slows down economic growth. Businesses report lower and lower profits, which leads to little return on investment.

Donor Policies

Nations providing economic support often include what are known as donor policies—conditions that must be met to ensure that the aid is being used for its intended purpose. Many post-conflict nations struggle with internal corruption, and donor policies exist to ensure that true development happens and that funds are not feeding any new or existing corruption. However, these policies (since they are created by donor nations) restrict the autonomy of countries receiving aid. For example, Norway donates 1% of its annual income to developing nations with few conditions, aiming to promote the values of trust and effectiveness.[16] Norway believes that nations should be free to use received funds as they please, as this will create economic harmony faster; nations know what they need. On the contrary, China often restricts its donated goods to be used in the development of roads and buildings.[17]

Administration of Foreign Aid

When aid gets delivered, it is crucial to find a reliable government official who takes responsibility for its administration. This is oftentimes hard to find in politically unstable states. Many government officials in post-conflict states are incapable of performing basic duties due to political and economic corruption. Once a conflict is over, there are tensions that need to be deescalated and a transition from conflict to peace that needs to be overseen. During this time, corruption will only rise. Criminal organizations, militias and other sinister institutions often bribe fragile governments for their own gain. An investigation conducted by the World Bank's Sanction and Evaluation Office revealed that from the $40 billion in loans, almost $245 million were lost to deceit and corruption.[18] ECOFIN needs to find the best actor to execute the delivery of foreign aid and ensure it is used for intended goals.

War Economy and Ignored Industries

In times of war, most countries transition into a war economy, which is where nations readjust their economy to match the increased need for arms and defence measures. In war economies, any good or service which the government deems useless at the time will be restricted. The war economy spends tax money and government earned revenue on items that are at the top of the list of national needs. Production of vital resources will decrease only to the point of sustenance, and labour will support the war at hand. Thus, many industries are neglected and need resurrection

[16] https://donortracker.org/country/norway
[17] https://carnegieendowment.org/2019/05/21/logic-behind-china-s-foreign-aid-agency-pub-79154
[18] https://www.worldbank.org/en/projects-operations/procurement/debarred-firms

after conflict. Tourism and luxury goods are prime examples of these industries. As well, Post-conflict, the demand for the manufacturing of war-related goods and services significantly decreases due to lack of necessity. But the revitalization of ignored industries can be economically straining on some nations, as many war-torn nations are ravaged with debt. It is paramount that ECOFIN considers ways to assist neglected industries while keeping economies afloat.

Possible Solutions

The Establishment of a Foreign Currency

Just as the United States did in Zimbabwe (and attempted in Venezuela), ECOFIN can use the euro as an interim currency in post-conflict nations suffering from hyperinflation. The use of the euro (a stable, reliable currency) will render the national currency officially worthless and be used while long term economic recovery is underway. The benefits of having a stable currency are innumerable: it encourages more international investment, transborder trade, stable market prices, and opportunities for local businesses and markets.[19] Stable currencies (foreign or domestic) also assist the government in keeping inflation rates low—something post-conflict states need to prioritize. However, while implementing a parent currency seems to be positive, ultimately removing it is tricky and there is no manual to guide countries through the process. Each nation needs to decide for themselves the process by which they will reintroduce their own currency. Risks of removing a parent currency (the adopted one) are mainly short-term and related to inflation. As post-conflict states have just come out of inflation, it is likely that the currency will be worth very little. In this scenario, the government needs to do more to boost the economy rather than print more money; otherwise, inflation rates will fly high once more. Once the parent currency is gone and the nation is staying economically afloat, it becomes much simpler to maintain.

The ECOFIN Charter

Many nations struggle with the process of economic recovery. The creation of an ECOFIN charter would act as a manual for nations to go about reconstructing their economies. The mandate of the committee is to help nations build skills of independence when rebuilding the economy so that they have a deeper understanding and are better prepared for economic downturn. However, as each nation's situation is unique, some developing nations may oppose a "blanket policy"-type document which attempts to fix all problems with one solution. An ECOFIN document would be a complex solution as it would need to navigate the line between the sovereignty of nations, the uniqueness of each economic situation, and the broadness of policies and suggestions. Given this fact, a solution would need to be created that guides nations to rebuild economies (with assistance from developed countries) from ruin. These solutions would look like measures enforcing that foreign aid is administered properly, that corruption is not rampant, etc. Moreover, many nations that have experienced economic downturn have been through political turmoil, and corrupt regimes have either been overthrown or are still in power. Hostile governments likely will not be accepting of foreign aid and will have a strict stance on maintaining their sovereignty.

Economic Policy Reform

In post-conflict states, economic policy can be reformed to include fiscal goals for a nation. Reform goals can include the reallocation of resources and the repurposing of government revenue as part of the transition out of a war economy. Regulating a nation's inflation can increase its production

[19] https://ec.europa.eu/info/business-economy-euro/euro-area/benefits-euro_en

capacity. One of the largest and most pressing issues of foreign aid is the tendency for developing nations to develop severe dependence on it. This is counterproductive to ECOFIN's goal of economic sustainability and independence. Carefully designed economic policies (such as timelines for foreign aid reception) can ensure that nations merely use aid as a starting point to building their own economies.

Structural Adjustment Policies

Structural Adjustment loans are given by the IMF to post-conflict states to readjust their economic structures in the long term. SAPs introduce free-market structures and programs in a post-conflict country, which includes liberalizing trade, privatizing industry, and lifting barriers to foreign currency. They often are conditional, meaning tangible social and infrastructural development must be seen by the IMF in order for the loans to continue. Some critics see SAPs as generic, blanket free trade policies that do not attack the root of economic problems in a post-conflict state. Poverty Reduction Strategy Papers are an alternative to SAPs; these offer the recipient country more participation and involvement in the economic policy-making process.

Microfinance

Microfinance is responsible for the alleviation of poverty of thousands across the globe. An excellent example of this is the AKDN, which executes microfinance mainly in central Asia. The practice of giving loans to small business owners has the potential to aid many in post-conflict, developing states. After economic tragedy, small business owners (which make up a significant amount of the population in these countries) are desperate for a way to get back on their feet. ECOFIN will need to discuss the establishment of microfinance and its regulation.

Bloc Positions

Affluent Countries (United States, United Kingdom, China, Japan, France, Germany)

These nations support solutions with the utmost transparency; they want to know what their money is being used for and how it is benefiting the economies of the nations they are donating to. While generosity varies from nation to nation, developed nations have generally been quite responsive when they are called upon to give aid. These nations also set donor policies and contingencies on their aid, and are charged with determining the leniency or strictness of their donor policies. Such policies cannot be too lenient for fear of corruption, misuse, and other monetary abuses. However, they cannot be too strict either, as that will lead to little progress in the nation because countries will not be able to use the aid for what they really need (ranging from building roads, infrastructure, education, etc.). There needs to be a firm flexibility when it comes to donor policies.

Developed nations also vary in their policies. The foreign aid principles of the United States and the United Kingdom for example stress different values and are focused on their respective allies. ECOFIN will need to navigate the administration of aid while respecting the different loan policies that nations have.

Post-Conflict States (Venezuela, South Sudan, Zimbabwe)

While these nations are going to be depending on foreign aid and donor policies, they must not abandon their own foreign policy. Developing countries need to navigate the line of maintaining their values while compromising in order to receive aid. Moreover, these nations need to be wary of

the possibility of conflict in the future and need to ensure their actions will not cause more harm. These governments are often the victims of the corruption that impedes progress in their nations and are responsible for the misuse of aid. Developing countries urgently need to find ways of stopping these harms before donor nations pull out in fear that their money will be misused and their aid will be abused.

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The Impact of COVID-19 On The Global Economy

Questions to Consider

1. How did your nation respond to the pandemic? How many cases did it have and what is the shape of its curve? Did the government do an effective job of responding to COVID-19?
2. What is your nation's perspective on public health versus the economy? Which does it prioritize? How was this reflected in its policies?
3. Did your country have the resources needed to deal with the side effects of the pandemic (eg. job loss)?
4. How does your nation's health care system work? Is it universal? Is it two-tiered?

Overview

COVID-19 has brought the world economy down to its knees. Over the past few months, Fortune 500 companies reported unprecedented losses, and the average worker suffered from unemployment rates that have skyrocketed. World trade is expected to fall between 13% and 32% in 2020, according to the World Trade Organization (WTO). Will major airlines file for bankruptcy? Will proprietors be able to look after themselves and their families? These are just some of the few uncertainties that plague the world right now.

The hardest part of global economic recovery is the understanding that the economy thrives on consumerism. Consumerism means that the economy thrives when people spend lots of money. Furthermore, employees of all kinds need the economy to be stable in order to stay employed. Oftentimes, pandemics cause economic recessions, and millions of workers are laid off (and become financially conservative). When this happens, how does the global economy recover?

The economic challenges that COVID-19 poses are complex and interwoven. Tourism industries are down, hundreds of thousands of jobs are being lost, families are struggling to pay rent. There is no simple solution to all of this, and a band-aid solution will not suffice. A strong, well-thought-out plan of global economic recovery is desperately needed.

Timeline

January 9th, 2020: The WHO reports a mysterious coronavirus illness outbreak in Wuhan, China. The WHO cannot predict at this point that a global pandemic would ensue. There are 59 cases so far, all located in Wuhan.[20]

January 21st, 2020: The United States reports its first COVID-19 case. A resident of Washington state who recently travelled to Wuhan brings the illness to the United States.[21]

January 23rd, 2020: Wuhan enters quarantine. Within the span of 2 days, 13 people died and there were 300 new cases. China closes off Wuhan and Huanggang (30 miles to the east), meaning that 18 million people are under lockdown.[22]

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[20] https://www.ajmc.com/view/a-timeline-of-covid19-developments-in-2020
[21] Ibid.
[22] Ibid.

January 31st, 2020: The WHO issues a global health emergency. Cases jump to 9800 worldwide, and for the sixth time in history, the WHO finally declares a public health emergency. Cases can be found in the United States, Germany, Japan, Vietnam and Taiwan.[23]

February 2nd, 2020: Global air travel is prohibited. The United States, Australia, Italy, and other countries begin to impose travel restrictions.[24]

March 11th, 2020: The WHO declares COVID-19 a global pandemic. The director-general of the WHO, Tedros Adhanom Ghebreyesus, said that he is "deeply concerned by the alarming levels of spread and severity" of the pandemic.[25]

March 21st, 2020: Italy records its highest amount of COVID-19 cases, 6,500, and is the first nation (apart from China) to be truly devastated by the disease. [26]

May 28th, 2020: The United States passes the 100,000 deaths mark.[27]

June 10th, 2020: United States COVID-19 cases reach 2 million.[28]

June 22nd, 2020: A study in *Science Translational Medicine* suggests that up to 80% of Americans who sought care for flu-like symptoms actually were infected with the coronavirus. The study stated that if one-third of these patients got tested for COVID-19, cases would have risen to 8.7 million.[29]

June 29th, 2020: Gilead Sciences sets a price for Remdesivir, an antiviral medication that can make hospital visits shorter for COVID-19 patients, at $520 USD per vial. A treatment course calls for 6 vials, making the bill $3120 USD per patient. Critics point out that taxpayers funded the trial of this drug and call for a lower price.[30]

Historical Analysis

While pandemics such as COVID-19 are stressful, uncertain, and at times chaotic, there is a silver lining: society in many aspects comes out stronger than it was before. Health care improves, and new policies are implemented to increase public safety. These stay in place after the pandemic, making society safer in general. Governments and citizens learn what measures work and don't work in terms of combating the illness and adopts new measures to keep individuals and families safe.

However, post-pandemic improvements aren't solely delegated to the healthcare field. History has shown that a post-pandemic economy is also stronger than it was before. During the Spanish

[23] Ibid.
[24] Ibid.
[25] Ibid.
[26] Ibid.
[27] Ibid.
[28] Ibid.
[29] Ibid.
[30] Ibid.

Influenza pandemic of 1918, Sweden's economic rebound was remarkable. In 1918, the Spanish Flu led to a significant increase in poverty rates: capital returns fell, unemployment shot up, and Sweden's GDP decreased by five percent in a single year. However, the recovery was excellent—Swedish GDP increased by 8 percent in 1922 and the country faced steady economic growth for the rest of the decade. In 1930, they were at roughly twice their 1918 level in terms of economic development.[31]

Past pandemics have also seen improvements in wages. A study conducted by Thomas A. Garrett, Assistant Vice President and Economist for the Federal Reserve Bank of St. Louis, found that wages tend to increase the most in the areas hardest hit by a pandemic. The paper examines the immediate (short-run) effect of Spanish Influenza mortalities on manufacturing wages in U.S. cities and states for the period 1914 to 1919. The study had a hypothesis that influenza mortalities would have an impact on wage rates in the US during, and after the pandemic. This hypothesis was based on a theory that a decrease in the supply of workers (due to the pandemic) would increase the product of labour and capital per worker, and increase wages. The results were affirmative. "Cities and states having greater influenza mortalities experienced a greater increase in manufacturing wage growth over the period 1914 to 1919."[32]

However, the world economy today looks much different than it did a century ago, particularly with the rise of the internet. If we want to see the same level of economic growth and recovery, new systems are going to need to be put into place. Such a new system must cater to online goods and services. Certain online businesses actually benefit from the pandemic, such as Amazon and other web-based companies. At the same time, small businesses often go bankrupt and report revenue loss, while healthcare companies experience a boom.

Class is also inextricably linked to suffering and death rates, especially in nations without universal healthcare. In these nations, those who are suffering the most are those who cannot afford healthcare and appropriate treatment. Living in urban or rural environments also makes a difference. Those living in urban areas are likely to have better physical access to quality health care, though nearly 19 percent of the city population in the United States has no health coverage compared with only 14 percent of the rural population.[33]

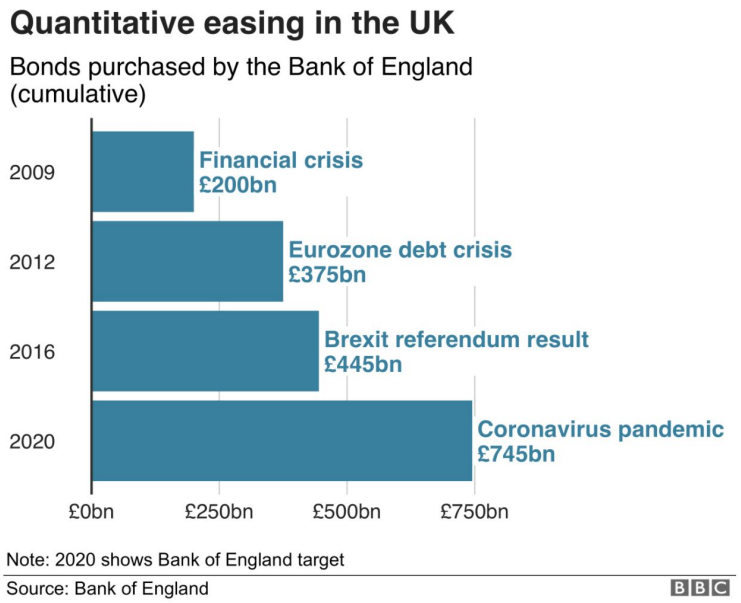
Past Action

There has been recent action from governments in trying to rebound the economy. The Bank of England has pumped 100 billion pounds into the United Kingdom's economy, hoping to keep it afloat for the time being. The Bank's Monetary Policy Committee has also voted to keep interest rates at a record low of 0.1%. The influx of money into the economy combined with the low interest rates make it much easier for the British economy to remain stable. In April 2020, the economy of the UK shrank by 20.4%, meaning that this aid from the bank is necessary for the economic security and well being of citizens. The government is also encouraging the purchasing of bonds to inject more money into the economy. Citizens are entitled to the money in their bonds, meaning that the

[31] https://www.sciencedirect.com/science/article/pii/S0167629614000344
[32] https://www.stlouisfed.org/~/media/files/pdfs/community-development/research-reports/pandemic_flu_report.pdf
[33] Ibid.

citizens have secure money, but the government gets short term assistance in rebuilding the nation. So far, the purchasing of bonds has been a successful endeavour for the UK.[34]

Government bonds tend to be quite low-risk investments, and thus other nations are encouraging their citizens to purchase bonds as well. Canada, the United States, among other democracies have been encouraging citizens to purchase bonds to ease the burden of COVID-19 on the economy.



Current Situation

Job Loss

Forbes reported in May 2020 that about 40 million Americans have filed for unemployment,[35] and 25% of the nation is out of work. Other researchers say that the reality is likely even worse than these numbers, as the mentioned numbers fail to include those unemployed before the pandemic. In February, before COVID-19 rocked the American economy, The United States was reporting the lowest levels of unemployment in half a century—around 3.5%. However, this data doesn't include those who have finished collecting unemployment benefits and haven't found jobs yet; nor does it include self-employed and gig economy workers.

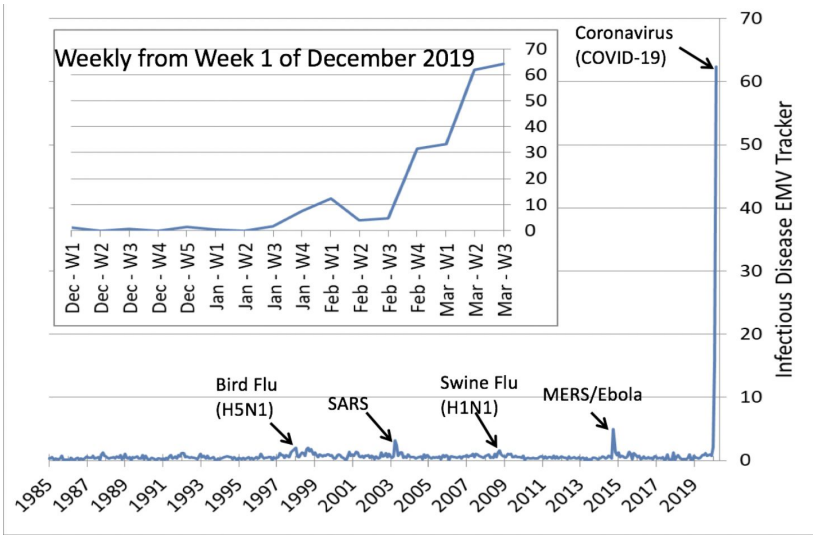
Global pandemic-related unemployment began with low wage sectors: restaurant workers, hotel staff, airline personnel. Unfortunately, it was people in these types of positions that were benefiting from the past decade of global job growth. In these low wage sectors, the "last jobs to get, first jobs to go" mindset is hurting millions of low wage workers worldwide. More recently, job loss has spread to degree holding, white-collar job employees in a plethora of industries. In Silicon Valley, Uber, Airbnb, Lyft, and a myriad of other tech firms announced major layoffs. BuzzFeed, Vice, Quartz, and other digital news platforms did the same. The pandemic has even affected jobs in

[34]https://insight.kellogg.northwestern.edu/article/what-explains-the-unprecedented-stock-market-reaction-to-covid-19
[35]https://www.forbes.com/sites/jackkelly/2020/05/21/40-million-americans-are-now-unemployed-we-desperately-need-a-plan-before-its-too-late/#66189e3122fb

Boeing (an aircraft manufacturer), Hertz (a rental car company), and ZipRecruiter (a job site), ironically.[36]

Stock Market

COVID-19 has had unprecedented effects on the stock market. No other illness in history has made so many businesses file for bankruptcy and the stock market plunge so deeply. The scale of the losses today haven't been seen since the Great Depression.



Infectious Disease EMV Index, 1985 - March 2020
Volatility is the dispersion of returns for any given asset. Generally, the higher the volatility, the riskier the security.

This figure tracks the stock market volatility from ATMs through Europay, Mastercard, and Visa (EMV), the standard in the credit industry. "Before the COVID-19 pandemic, no infectious-disease outbreak made a sizable contribution to U.S. stock-market volatility. The 2003 SARS epidemic and the 2015 Ebola epidemic led to modest, short-lived spikes in volatility, and the Bird Flu and Swine Flu epidemics barely registered. COVID-19 drove the tremendous surge in stock-market volatility since late February. This volatility took off in the fourth week of February 2020." [37]

[36] Ibid.
[37] https://insight.kellogg.northwestern.edu/article/what-explains-the-unprecedented-stock-market-reaction-to-covid-19

Stock Market Volatility in Selected Infectious Disease Episodes

		Average Values for the Indicated Time Period		
	Time Period	(1) Infectious Disease EMV Tracker Level	(2) % of EMV Articles with Infectious Disease Terms	(3) % of EPU Articles with Infectious Disease Terms
Bird Flu (H5N1)	Nov-1997 to Nov-1998	1.36	4.52	8.00
SARS	April-August 2003	1.75	8.10	9.79
Swine Flu (H1N1)	March-May 2009	0.99	3.60	4.58
Ebola & MERS	Oct-2014 to Jan-2015	2.06	10.62	12.80
Coronavirus (Covid-19)	December 2019	0.79	3.68	6.42
	January 2020	2.11	13.45	7.43
	February 2020	15.54	65.73	32.62
	March 2020	60.46	90.81	92.41
Full Period	Jan 1985-Mar 2020	0.76	3.37	5.67

As shown in the figure above, COVID-19 has had the greatest impact on the stock market than any other disease in recent history. January, February and March respectively have each had a greater impact than any of the other illnesses mentioned. This is partly due to the severity of COVID-19 and the ignorance with which the American government is dealing with it. The US government is pushing for society to return to normal, for businesses to reopen, for the economy to grow. However, in order for that to happen, the illness needs to be combated—curves must be flattened, and more and more tests need to come back negative. There are millions of foreign investors who put their money into the NYSE, not to mention the stocks in other nations are not doing well either. Every stock graph (save for health care companies) will have a dive during COVID-19. The impact of this is that the global economy will be hurting, and the disparities between certain sectors will be greater.

Airlines are but one of many industries rocked by the pandemic. This graph shows the dramatic fall of UnitedAirlines' stock price in 2020.

Tourism

For many nations, tourism is a large part (in many cases the *largest* part) in generating revenue. Worldwide, more than 44 countries use tourism for more than 15% of employment.[38] In Cambodia, tourism accounts for 2.4 million jobs. Many nations are looking at serious economic consequences as a result of the lack of tourists visiting. This includes the thousands of family-run shops whose merchandise and shops are targeted for tourists. The lack of tourism is also a huge factor in rising unemployment. The Caribbean Islands received up to 20,000 visitors daily from cruise ships before the pandemic; many islands are deeply indebted due to COVID-19. With a population of almost 3 million, 30% of Jamaicans rely on the tourism industry for employment. In 2019, Croatia brought in $13 billion USD from tourism, which impacts almost 400,000 jobs (25% of the workforce). Perhaps the nation hardest hit by COVID-19 in the tourism sector is the Philippines, which had 8.3 million tourists in 2019.

Global tourism accounted for 10.9% of the global GDP in 2019, bringing in $13 trillion USD. The 20 largest economies in the world are projected to lose $68 billion USD worth of tourism revenue. Many island nations which rely on tourism as their primary income sector will lose even more.[39]

[38] https://www.unwto.org/impact-assessment-of-the-covid-19-outbreak-on-international-tourism
[39] https://www.visualcapitalist.com/countries-reliant-tourism/

Rank	Country	Travel and Tourism, Contribution to GDP
1	Mexico	15.5%
2	Spain	14.3%
3	Italy	13.0%
4	Turkey	11.3%
5	China	11.3%
6	Australia	10.8%
7	Saudi Arabia	9.5%
8	Germany	9.1%
9	United Kingdom	9.0%
10	U.S.	8.6%

These are the top ten nations with the highest percentage of tourism contributing to the GDP.[40] For the full list, click here.

While the global economy will take an immense hit from the lack of tourism, nations are adjusting to the new reality. Iceland is offering free COVID-19 tests at Keflavik airport in Reykjavik.[41] As countries slowly reopen, travel bubbles are appearing. Estonia, Latvia, Lithuania among others have eased restrictions by creating a designated travel zone. Australia and New Zealand have made similar steps. When the pandemic is over, however, there will be a great fear of travel across the world, which the tourism industry will have to face. Is it time for nations to move away from tourism in search of new and more stable ways to create employment and generate income? Or is the tourism industry in need of revamping and modifications?

Possible Solutions

Safeguarding Employment

After the Great Depression, between 1934 and 1939, Franklin Roosevelt enacted a series of programs, employment projects, financial reforms, and regulations that worked to provide relief, recovery, and revitalization to the economy. These programs, called the New Deal, created jobs including the construction of roads, bridges, airports, parks, and public buildings. Economic relief was also provided to farmers by the Agricultural Adjustment Act. Although today's pandemic world looks different from the Great Depression, perhaps each nation should be working towards its modern-day equivalent of Roosevelt's New Deal. Governments could fund infrastructure and housing projects; they could reallocate welfare to tangible development and fiscal based recovery to improve cities and lower the unemployment rate.

COVID-19 Bonds

In most developed nations, purchasing bonds can be an effective way to pump funds into a struggling economy in hopes that the funds will improve its current state. In May 2020, Europe started issuing COVID-19 bonds.[42] These would be social bonds, which improve projects with social benefits, manage and track them, and report on the use of proceeds. Such projects include

[40] Ibid.
[41] Ibid.
[42] https://www.jonesday.com/en/insights/2020/05/how-to-address-covid-crisis-bonds

purchasing more medical equipment, reviving the tourism industry, or funding employment opportunities. With high numbers of individuals and families out of work, however, purchasing bonds is may only a feasible solution for those with the resources.

In developing countries, social impact bonds from private sectors in developed countries may replace the need for a COVID-19 bond. These social impact bonds pair developed and developing nations and allow private investors to provide capital in exchange for previously-agreed upon results. They are focused, targeted funds that directly benefit infrastructure or policy in a developing nation. One such bond, for example, was issued in March 2020, when the International Finance Corporation issued $1 billion USD to expire in three years as a social impact bond (SIB) to support employment in developing countries affected by COVID-19.[43] The African Development Bank also raised $3 billion as a SIB to help reduce the negative social and economic impact of COVID-19 in Africa, with funds to support healthcare, water, sanitation, and employment opportunities.[44]

Globalization

It is easy to envy the illusion of buoyancy created by the economic isolationism in Russia during the downfall of global supply and demand chains. However, long term cooperation and sharing of resources has been proven to mitigate economic damages to each country. Distribution of a vaccine, when it arrives on the market, will be a smoother process if markets are open and free trade principles are followed.[45] This also applies to materials, policies, and ideas. A great example of increased connectivity is in Europe, where medical equipment has been shared with patients across all EU hospitals.[46] In order to combat COVID-19, a bigger problem than any country can tackle on its own, all nations must work together and be willing to share findings instead of retreating into their own trade shells. Only with a coordinated economic globalization effort can the virus be defeated as quickly and as effectively as possible.

Universal Pharmacare in Developed Countries

Thousands of people are regularly unable to pay for doctors and medications, and COVID-19 has made their situation precarious at least, deadly at most. Universal pharmacare would ensure a fair distribution of prescription drugs and would make the general population healthier. For example, in Canada, the cost of a year's supply of the drug Lipitor would cost $811 CAD. In New Zealand, where the government negotiates cost on behalf of citizens, the same drug costs $15 NZD. Proponents of universal healthcare maintain that it lowers overall health costs, administrative costs, including insurance, and diverts the focus from profit back to keeping people safe and healthy. It creates a healthier workplace because problems are spotted earlier and preventative care is instituted: without preventative care, patients “use the emergency room as their primary care physician,”[47] preventing those who need the most access from receiving the care they need. However, universal pharmacare is expensive. In some Canadian provinces, for example, up to 40% of the government budget goes to healthcare. According to the Center for Disease Control, chronic

[43]https://www.arabianbusiness.com/comment/445960-lasting-bond-are-social-impact-bonds-the-solution-to-respond-to-covid-19#:~:text=1
[44] Ibid.
[45] Ibid.
[46] https://www.global-solutions-initiative.org/global-table/covid-19-stabilizing-the-world-economy/
[47] https://www.thebalance.com/universal-health-care-4156211

diseases make up 90% of total health costs,[48] so the bulk of healthy people's money goes towards the sick. Because COVID-19 does not discriminate in terms of who it affects, universal pharmacare is becoming more essential as more people are crippled by their medical debt. It would recenter the medical industry and ensure as many people are alive and healthy and contributing to the economy.

Bloc Positions

Nations Reliant on Tourism

Many tourism-heavy nations are currently in dangerous levels of debt because of the lack of business. Representative countries include Iceland, Croatia, Lebanon, Jamaica, the Caribbean Islands, Georgia, etc. Not only does this affect the tourism labour industry, but also the travel and hospitality industries (and all the jobs associated with those) within the countries as well. Moving forward, significant funds should be allocated to reviving the tourism industry, including free Covid-19 testing at airports, increased advertising. Funds should also be directed towards the labour force: families and individuals affected by the lack of business. As tourism is projected to be hampered for the next few years, nations should also consider diversifying industries and developing the agriculture, technology or manufacturing sectors that take advantage of natural resources instead of human travel.

Technologically Frontline Nations

A few smaller countries are incredibly prepared for this digital economy, having implemented universal high-speed internet, mobile accessibility, and cashless payment infrastructure to improve online services and accessibility. Estonia, for example, ranked first overall in the InterNations survey, topping the rankings of "unrestricted internet access" and "government services online".[49] Since 1991, the Estonian government has introduced e-voting, e-health, e-banking and even e-residency "that entitles them to benefits like an identity card, banking services, payment processing and the ability to form a company."[50] In Estonia, access to the internet is a basic human right, with resident registration to opening a business through the online platform swift and transparent. Other nations on the frontline of tech include Finland, Israel, Canada, and South Korea. As the world moves into the digital space, these nations will guide other countries into managing a dominant digital economy, and share their protective measures against cyber attacks.

Developing Nations

Developing nations, including most of Africa, South and Southeast Asia, and Latin America, are among the hardest hit by COwVID-19 due to their lack of healthcare infrastructure and social security nets. In Peru, its shadow economy (including informal employment) and lack of social safety nets have caused continued and deadly waves of COVID-19 to rampage through its communities. Peru was known for having proactive virus measures in May, but with limited funds and combative health and safety measures, the situation worsened through the summer. Peru isn't alone—many low to middle-income countries' inadequate and flailing healthcare systems force those who are sick to still work unofficially to feed their families. Additionally, in Africa, many farmers and informal traders have faced barriers to getting their produce to markets, because 44 of

[48] https://www.cdc.gov/chronicdisease/about/costs/index.htm
[49] http://www.bbc.com/travel/story/20190630-five-countries-on-the-frontline-of-tech
[50] Ibid.

the 54 countries on the continent (where one-third of the people live below the poverty line) have closed their borders.[51] Now is the time for larger countries to support developing countries in need, either by investing in Social Impact Bonds (SIBs), or through Conditional Cash Transfers (CCTs).

Industrial Manufacturing Nations

Nations in the industrial manufacturing sector (China, US, Japan, Germany, South Korea, India, Italy, France, UK, Mexico)[52] are feeling the effects of COVID-19 on production, which has already manifested in plummeting oil prices and demand, spending slowdowns, and supply chain fixtures. For example, China accounted for 28.4% of the global manufacturing output in 2018 and employs 13 million workers in the US[53]. Many of these manufacturing jobs are on-site and impossible to digitally replicate; in addition, demand has also slowed globally. Workplace safety and social distancing should be prioritized in plants and manufacturing companies—sanitation and health are more important than economic output. However, with sanitation measures, plants are less productive. As the world opens up, it is essential for manufacturers to act quickly in developing long-term, innovative solutions to human capital shortages. Countries could explore the "proactive deployment of automation technologies": implementing collaborative robots and autonomous materials to both keep workers safe and continue to manufacture.[54]

The United States

The United States is in a unique situation. With the highest case and death toll of any country in the world, and an economy that hasn't seen such losses since the great depression, the US will have to take certain measures to regain its stable economy. The US may want to adopt a few solutions. Universal Pharmacare (as mentioned above) could be a possible measure taken under a Biden administration, helping citizens gain access to doctors and medicines. This can help the fight against COVID-19 but also have benefits from the future (a stronger economy could emerge when citizens aren't bogged down in debt from paying doctors). As a hub of capital and industry, it is important that COVID-19 is extinguished for the economy to recover and for life to emerge normally. The US will also need to be a leader in assisting developing nations with designing and executing their economic recovery plans. The US will also need to work with other nations as they will be the focus of many supply and demand chains, being a leader in global economic matters.

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[52] https://www.weforum.org/agenda/2020/02/countries-manufacturing-trade-exports-economics/
[53] Ibid.
[54] https://www.pwc.com/us/en/library/covid-19/coronavirus-impacts-industrial-manufacturing.html

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