

## ECONOMIC RECOVERY, SUSTAINABLE DEVELOPMENT AND POST-COVID INSTITUTIONS

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In November 2021, while Glasgow was the home of a debate over whether the global community should adopt a zero-carbon model of a carbon-free economy by the middle of the century in order to achieve the goal of maximizing the average global temperature rise by 1.5 degrees Celsius compared to pre-industrial times, most national policy makers across the world continued to deal with health and safety measures, vaccinations and anti-vaccine outbreaks. This resulted in a semi-successful outcome the KOP 26 conference, which could have been expected considering that the moment is really delicate. In the final days of November 2021, when this Editorial was created, short-term security is still a priority for the global economy and politics, while on the other hand, the connection between the poor global environmental situation, polluting technologies and not-so-great world perspectives is obvious. Experts dealing with the prospects of production and development state that if real structural changes are not immediately undertaken, not only in terms of the economic system (production, consumption) but also in terms of lifestyle and fundamental social values, there will not be enough prospects for a sustainable future anywhere on the planet. This seems to be indicated by global financial flows, geostrategic games, turbulences in the energy and raw material markets and increasingly obvious shifts in power relations. From the present aspect of observation, the envisaged post-covid economy promises little of the “previous normality”, but of the self-awareness of people and nations regarding the limitations of their own power and unreasonable aspirations. It is almost as if the world has no instruments to control its own development path, and it continues to rush towards a climate-environmental self-destruction.

### **Are health care professionals right?**

On 26 November 2021, the World Health Organization (WHO) announced that a new strain of the virus (omicron) has been identified in South Africa, but that a variant of the strain has already been registered in Belgium, Botswana, Hong Kong and Israel. The virus has a large variety of mutations, some of which are of particular concern, as it calls into question the effectiveness of the vaccines previously administered. If a new vaccine would be required, according to the WHO, it could be developed within six weeks, while the first doses could be delivered within 100 days (<https://www.who.int/emergencies/diseases/novel-coronavirus-2019/global-research-on-novel-coronavirus-2019-ncv>). Is there an end to the prolongation of the uncertain battle with the global invisible enemy and the new, upcoming waves of the Corona-19 virus pandemic? It is an issue that greatly burdens contemporary consciousness and seriously hinders any strategies and plans of most decision-makers regarding the obligatory socially-related decisions to be made. Until September of the current year, the WHO strategy was realistically based on the priority of health care and the completion of the critical level of vaccination by the middle of 2022, by which time we should all achieve the goal of immunizing 40% of the population. The global production of all the vaccines used to date amounts to as much as 1.5 billion doses per month, which represents a sufficient supply to achieve the goal, but under the condition that the vaccine is distributed fairly.

There are no issues in manufacturing the vaccine, but in its distribution – as reported by the world’s doctors within the WHO. In every both high-income, middle-income and low-income country, the vaccine must reach the at-risk groups as soon as possible. Furthermore: “*No one is safe from COVID-19 until everyone is safe*”, which is why we must vaccinate health workers and high-risk groups in every singly country at the same time to protect ourselves locally. The vaccine needs to be distributed and be „available both globally and immediately”. This scenario of a, expertly meritorious, and hopefully, globally harmonized strategy, was not questioned in any of its parts by the appearance of new strains of the virus, but on the contrary, new strains would always confirm its validity. However, it remains questionable whether this scenario will be supported and implemented by the political institutions of the global community.

### Post-Covid Risks

On the other hand, an open and unforeseeable room is left for creating different strategies for the development of the global economy and politics, for the simple reason that no one can be satisfied in advance with the relative developmental consequences of the pre-Covid period. The types and structures of national economies, their relative positions and interests, possession of natural resources, urbanization trends, deforestation, marine and ocean pollution, global warming, and even migration problems affect today’s regional and national economies quite differently, albeit without exception in the long run. Those who expected that everything would change in terms of better understanding of people and nations, greater empathy and justice in their mutual relations once the pandemic is over, as always, were wrong. It turned out that the confrontation of global, national, interethnic, religious, social and other interests and groups, as well as new controversies and troubles point to a new rivalry between global forces and players. Migration, climate change, technological and social risks, terrorism and even anti-Covid strategies, with all of the consequences for the global economy, security, politics and development, remain bearers of uncertainty and risk in a world of conflicting interests and power. However, the following three major risks stand out in the purely economic sphere of the global future:

1. The first one would be *the energy crisis*, which is particularly evident in the exchanges of electricity, gas and crude oil in some regional markets. Although last year’s oil market nearly collapsed (at some points oil had a “negative” stock market price), current trends in gas and electricity prices, particularly in highly energy externally dependent Europe, are more worrying than all of the other energy crises (mini-shocks) that have been occurring in the 21st century.

2. The second is *inflation*, which was generally not counted on as a hidden enemy of stability when creating crisis economic policies. This proved to be an enormous display of carelessness, rightly pointed out by some independent economists (**Vernon Smith**) and a new global circumstance, but an old enemy of the regular economy and business, accompanied by uncertainty regarding the predictability of prices and costs of production, labour, materials, raw materials and energy. Today, international financial institutions no longer propose what they generously advised to the economic policy makers in the previous year. Simply put, you can’t borrow and share if you don’t know if the borrowed funds will be repaid. “Helicopter money” from previous year will have to be replaced by monetary restrictions for many in this year. However, how will all of the above function in the conditions of a sharp rise in energy prices, primary food and production costs on that ground?

3. Ultimately, *climate change* and its consequences during the Covid crisis have been intensifying, and could even more significantly jeopardize economic returns, cash flows and

even the economic perception of the future. The floods, fires, earthquakes, landslides, natural and technical disasters that followed the northern hemisphere last summer are more than worrying. Climate and planetary reactions will not wait for the end of COVID-19 crises and strategies.

Although the MF believes that inflationary tendencies will subside in the second half of the following year, given the uncertainties caused by virus mutations, inconsistencies in exit strategies both for climate, pandemics, energy, natural resources and even structural changes, not even that assessment cannot be taken as a definite and undoubtable. Is such occurrence conditioned by new (green) energy strategies and announced changes in the structure, the system of CO2 emissions trading or simply by increased demand for energy and raw materials on the world market, which always occurs after or when recessions occur? On the other hand, nothing is sustainable if there is no political agreement, action unity and synergy. On top of that, the world remains divided more than ever before. Today, four great forces clearly stand out on a worldwide scale, the USA, the EU, China and Russia. Each of them entails dozens of dependent small nations, their interests and strategies, such as debts, imbalances, financial instability, energy dependence, natural disasters, migration.

### **Economic recovery - but of what kind?**

Despite everything, in light of the short-term economic outlook, the world has somehow found itself in a “new normality” and is ending the calendar year 2021 with the prospect of the global economy growing by nearly 5%. If this data (IMF estimate) is related to last year’s stagnation of -3.1%, it would mean that despite the fact that the pandemic has not been overcome, the world economy is overcoming the economic consequences of the health and security crisis and should exit recession by the end of the current year. As for developed countries, which registered a drop of 4.5% last year, a growth of 5.2% is projected for the current year and 4.5% for the next one. The USA, which had a decline of 3.4% last year, will increase by 6% this year and by 5.2% next year. The fast-growing large economies of China and India are a particular case. China, despite being the first to wage a major secret war on the virus, even registered a growth of 2.3% last year, while according to IMF projections, it should register growth of up to 8% in the following one, and up to 5.6% in 2022, while India after dropping by 7.3% in 2020, it is up 9.5% this year and can expect growth of 8.5% next year. Following the last year’s drop of 3%, Russia will overcome the recession this year, as its GDP will grow by 4.7% (<https://www.imf.org/en/Publications/WEO/weo-database/2021/October>). It is as if the Eurozone has suffered the most during the COVID-19 crisis. Its economy fell by 6.3% in 2020, while the growth of 5.1% is expected this year. In the current year, the majority of European economies will remain in the zone of having their GDP lower than the level from 2019, as their growth rates are on average lower than the rates of GDP reduction in the first year of the Covid crisis. Based on these data, a rather uncertain conclusion could be made that the Covid crisis is over and that things will start moving in the right direction in the following year, towards the global conjuncture and towards sustainable growth in the conditions of complete normalization.

However, it seems that we are still quite far from it, on the account of several reasons:

- The first one being, as mentioned at the very beginning, *a new uncertainty regarding the end of the pandemic*, the behaviour (mutation) of the virus, as well as possibly some new measures that could affect economic and social life;
- The second would be *the disagreement of key global players as well as the world community* as a whole on the necessity for structural change and the adoption of the

concept and goals of the climate economy. By climate economy we mean the harmonized orientation of the economy, economic policy and business towards the goals of long-term control (prevention and mitigation) of climate change;

- The third is *the insufficiently institutionally harmonized functioning of the global community of nations*, in confronting not only the current but also the newly occurring crises. This is clearly demonstrated through UN climate actions and strategies, energy transition commitments and directions, ecologically harmonized green strategies and green sectoral transitions of the economy (industry, transport, housing, agriculture, water protection and ecosystems), not to mention the increasing level of inequality, but also of demographic, social and technological challenges.

None of the above seems certain yet. Despite the fact that an ever-increasing number of intellectuals, scientists and young people across the world expect exactly that from their governments - to make the future of the planet and humanity more certain. This was demonstrated to us by the teenage generation and the new pressures of the manifestation of the young and the “greens” in Glasgow (that very same Greta Thunberg, again). However, governments are normally guided not by the attitudes and interests of intellectuals and the chances of the youth and the youngest ones. After all, the latter do not even vote in the elections. Governments predominantly prefer “pure economy” arguments.

### **Misconceptions about “pure economy” and revitalization of sustainable institutions**

Formally speaking, the world economy has already come out of recession this year. The current year’s economic growth is likely to be higher than last year’s decline. Many fast-growing and large economies, as well as those that have had a more distinct decline than the average, will have slightly higher growth rates ( <https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>). All in all, it seems as if the Covid crisis, from a purely economic perspective, has been overcome. A version of the conclusion would be that such scenario is sufficient, as even with the new normality, there are economic preconditions for overcoming any crisis or delay, including health and safety ones, and ultimately speaking, environmental ones. Economic growth and environmental protection are still often perceived as extreme opposites between which there is no “middle ground”. The controversy between the goals and priorities of economic and technological development on the one hand, and the motives for preserving the natural environment on the other, has been ongoing since the beginning of time, and has escalated since the beginning of the industrial era (mid-13th century), only to reach its absolute peak in this period. However, after everything that has happened to the Earth and to the people during the last century, it is questionable to consider a “clean economy” as an utmost and ultimate priority. Of course, an unbiased, multidimensional and multisectoral approach is necessary, as well as a re-harmonization and decent legislation. Development projects of any levels should be carefully, both professionally, environmentally and socially sensitively selected, while public policies should be changed in accordance with new scientific know-how and social awareness, where sustainable development requires a free, critical and fair information delivery, a more modern education and a higher general culture level. This may seem as a too extensive list of conditions, but otherwise it is not worth mentioning sustainable development. Today’s polarization of the world and people into those who are consistent in the fight for a green or circular economy and those who would like to formalize the concept of sustainability, including the green economy, did not originate from ecological perception of reality, but from a wobbly integrity and trust in government. Similar to the crises of most social values caused

by the collapse of institutions, the Covid crisis has largely shattered previous rules of the game and has shaken confidence put into the decision-makers around the world. It should be noted that the institutions function only if one is certain that the will and power of the people will not be above the institutions and the law. Along with new technologies and a different post-covid economic and social structures that are constantly changing, the institutions need to be included in the change, and they need to be rebuilt one step at a time.

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