

## Coronomic Crisis: When The Economy Is A Hostage To Medicine

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BY [VLADIMIR PAPA](#)\* MARCH 29, 2020

Threats posed by the global spread of the new COVID-19 swept through the modern world putting substantially new issues on the agenda. Among them is an important issue as to how to manage the economy under the circumstances and what changes should be made to reduce future economic risks.

Economists traditionally have been exploring impacts of economic crisis on the overall health care system and on the mental health of the population as well as on the transmission of communicable diseases.

The issue, contrary to the traditional one, is that the coronavirus spurs a large scale economic crisis and that the coronavirus has actually turned into an “economic pandemic”

(<https://edition.cnn.com/2020/02/24/business/coronavirus-global-economy/index.html>).

In order to emphasize the impact of the spread of the coronavirus on the economy, Prof. Ajith De Alwis coined a new term, “coronomics,” which is a merger of the two terms “corona” and “economics” and it studies the negative repercussions of the coronavirus for the economy

(<http://www.ft.lk/columns/Coronomics-%E2%80%93-Plan-your-eggs-and-the-basket-/4-695109>).

Later, a similar term, “coronanomics,” emerged. ([https://www.project-syndicate.org/commentary/limits-macroeconomic-tools-coronavirus-pandemic-by-barry-eichengreen-2020-03?utm\\_source=Project+Syndicate+Newsletter&utm\\_campaign=cba7e1c6a1-sunday\\_newsletter\\_15\\_03\\_2020&utm\\_medium=email&utm\\_term=0\\_73bad5b7d8-cba7e1c6a1-93567601&mc\\_cid=cba7e1c6a1&mc\\_eid=e9fb6cbcc0](https://www.project-syndicate.org/commentary/limits-macroeconomic-tools-coronavirus-pandemic-by-barry-eichengreen-2020-03?utm_source=Project+Syndicate+Newsletter&utm_campaign=cba7e1c6a1-sunday_newsletter_15_03_2020&utm_medium=email&utm_term=0_73bad5b7d8-cba7e1c6a1-93567601&mc_cid=cba7e1c6a1&mc_eid=e9fb6cbcc0)).

The topicality of coronomics is conditioned not only by the fact that the coronavirus is a pandemic but also by the possibility that such threats may also occur in the future and this should be taken into consideration both in everyday life as well as in implementing future economic projects.

It is necessary to acknowledge that we face a substantially new type of global economic crisis rather than a classic type whose causes are not endogenous but exogenous; that is, these causes are generated outside of the economy and imposed on it by the quick spread of the coronavirus.

Given the circumstance, certain countries as well as the whole world are facing this new crisis, the “coronomic crisis,” as described by the new term which is different from a classic economic crisis.

It is a reality that it is not yet quite clear how the coronavirus will be overcome or how effective the measures imposed to contain its spread will be. In other words, today the economy is a hostage to medicine.

Economic difficulties have already affected China and some European countries. With numerous companies closed in the world’s second-largest economy and with the developed countries of the EU facing similar difficulties, it is clear that the world is facing threats posed by the coronomic crisis.

In fact, the tools (reducing payroll and value-added taxes, increasing social protection, etc.) which are being actively considered to be applied are connected to the experience of the global financial and economic crisis of 2008-2009. Whether these measures will be sufficient during this crisis, it will largely depend on how long it takes the healthcare industry to develop a treatment for the coronavirus as well as create and produce a relevant vaccine.

It is noteworthy that the above referred measures will ultimately increase the budget deficit and most likely it will be a major post-crisis problem in all the countries impacted by the pandemic.

The fact that the economy is almost idle in China and in a number of European countries will certainly lead to not only decreased demand but also to even more of a decrease in supply ([https://www.project-syndicate.org/commentary/next-global-recession-hits-the-supply-side-by-kenneth-rogooff-2020-03?utm\\_source=Project+Syndicate+Newsletter&utm\\_campaign=5a74e31e27-sunday\\_newsletter\\_08\\_03\\_2020&utm\\_medium=email&utm\\_term=0\\_73bad5b7d8-5a74e31e27-93567601&mc\\_cid=5a74e31e27&mc\\_eid=e9fb6cbcc0](https://www.project-syndicate.org/commentary/next-global-recession-hits-the-supply-side-by-kenneth-rogooff-2020-03?utm_source=Project+Syndicate+Newsletter&utm_campaign=5a74e31e27-sunday_newsletter_08_03_2020&utm_medium=email&utm_term=0_73bad5b7d8-5a74e31e27-93567601&mc_cid=5a74e31e27&mc_eid=e9fb6cbcc0)).

A higher decrease in supply, compared with the decrease in demand, directly impacts the increase of inflation. Inflation can be checked by using the tools available for the central banks if they increase interest rates. The latter will further impact supply and economic growth.

This coronomic crisis will probably provide still another argument for economists to prove why inflation targeting does not work anymore especially for countries which depend on imports (<https://www.project-syndicate.org/commentary/the-failure-of-inflation-targeting?barrier=accesspaylog>).

The spread of the coronavirus has given some boost to the ideas against free trade. Although, it is apparent that those countries which are against globalization will be the ones which will be more affected by the pandemic ([https://www.project-syndicate.org/commentary/coronavirus-global-recession-prospects-by-jeffrey-frankel-2020-02?utm\\_source=Project+Syndicate+Newsletter&utm\\_campaign=11fa1362d7-sunday\\_newsletter\\_01\\_03\\_2020&utm\\_medium=email&utm\\_term=0\\_73bad5b7d8-11fa1362d7-93567601&mc\\_cid=11fa1362d7&mc\\_eid=e9fb6cbcc0](https://www.project-syndicate.org/commentary/coronavirus-global-recession-prospects-by-jeffrey-frankel-2020-02?utm_source=Project+Syndicate+Newsletter&utm_campaign=11fa1362d7-sunday_newsletter_01_03_2020&utm_medium=email&utm_term=0_73bad5b7d8-11fa1362d7-93567601&mc_cid=11fa1362d7&mc_eid=e9fb6cbcc0)).

Taking into consideration that a pandemic is a global phenomenon and the coronomic crisis poses a threat to the whole world, isolationism and deglobalization is clearly disastrous for the world economy. On the contrary, during the post-crisis period it is necessary to diversify value and supply chains which will ensure the reduction of possible risks.

Thus, special attention should be paid to deconcentrating the large companies located in China which in the future will facilitate reducing those risks which are associated with global threats.

Coronomics showed that large companies might find it attractive to relocate their companies in those countries which already have free trade agreements with China ([http://fta.mofcom.gov.cn/english/fta\\_qianshu.shtml](http://fta.mofcom.gov.cn/english/fta_qianshu.shtml)).

In regard to the EU, those countries which have free trade agreements (e.g., Iceland, Georgia, Switzerland, etc.) both with the EU and China should be highlighted. Among them, a post-Soviet Georgia draws particular attention as it is located between the EU and China and is a transport corridor linking Europe and Asia (<https://jamestown.org/program/south-caucasus-eyes-becoming-a-hub-along-eu-china-transportation-route/>).

The interest of the USA in having a free trade agreement with Georgia should also be taken into consideration (<https://www.forbes.com/sites/kenrapoza/2020/03/05/why-does-everyone-suddenly-want-a-free-trade-deal-with-georgia/#23f5915650e6>). Using Georgia as a regional economic hub can be regarded as one of the strategic directions during the post-crisis development.

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