

1. Global Health Crisis Needs Multilateral Response

Context:

- Monetary policy alone cannot stop a coronavirus-induced recession. A coordinated public policy focussed on health is needed.

Brief Background:

- The UNCTAD's, the Trade and Development Report, warned that the economic imbalances, social inequities and financial fragilities left unaddressed since the 2008 financial crisis were storing up serious problems for the global economy.
- With advanced economies stuck in secular stagnation, weakening global demand and debt levels at historic highs in both the public and private sectors and across countries at all levels of development, there was an urgent need for coordinated policy action
- A looming trade war, tensions around the transfer of technology and currency clashes seemed the most likely triggers of a downturn.
- With the economic contagion from the health shock now spreading faster than the virus itself, a global recession is no longer a matter of speculation but rather a clear and present danger.

Global Economy Heading Towards Downturn:

- The UNCTAD warned that the global economy was, indeed, heading for a recession. The main causes are:
 - ✓ Asset price deflation
 - ✓ Sinking aggregate demand
 - ✓ Heightened debt distress
 - ✓ Worsening income distribution
 - ✓ Widespread insolvency and a sudden big collapse of asset values

Need of the Hour – Public Health Policy:

- Public spending has to be part of the response to the short-term economic problems, as monetary policy cannot solve this alone
- The lack of investment in public health and safety is also a reminder that private capital cannot deliver the inclusive and sustainable outcomes
- Institutional reforms to deal with the lack of patient capital will be needed, including a return to public banks and an expanded mandate for Central Banks.

-
- The bigger failure is that all governments in the core of the global economy have been eager to pursue neo-mercantilist actions at the behest of their own corporate and financial interests through the Washington financial institutions, the WTO, WIPO or the WHO.
 - The crises we currently face – including the current Covid-19 pandemic – involve the provision of global public goods, an effective multilateral response remains essential, including policy coordination at all levels and across a variety of areas.

Source: The Business Line

