

Covid Depression and Search for a New Paradigm

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The liberal doctrines dominating in the late 1920s could not avoid the severe consequences of the Great Depression and it was necessary to find a new paradigm, to increase the government role in economy. The macroeconomic doctrine developed by J.M. Keynes, based on the active role of the government in the economy, made it possible to cope with the severe consequences of the Great Depression. Such an approach became popular in later years. Since then, there were several global crises in the global economy, including the global financial crisis of 2007-2009, but none of them was as severe and as specific as the current Covid Depression, before the start of which liberal doctrines still dominated the global economy. New Great Depression began with the pandemic that caused the death of millions of people and put economy in a difficult situation. The solution again seems to be, the activation of a new paradigm: the role of the government. To halt the negative tendency of the Covid Depression it is necessary to accelerate the global vaccination process and provide sufficient finances to cope with the severe consequences of Covid-19; to increase the role of the government in economy; to increase production of competitive domestic products to satisfy domestic demand; to encourage the export-oriented industrialization; to increase the rate and volume of export; to attract foreign investments; to take measures against the oligopolistic market; to encourage utilization of domestic resources; to develop an effective employment system; to establish financial markets and centers; to increase economic relationship with other countries, especially with the European Union, the United States, international centers, etc. These and other issues should be reflected in the officially approved action plan of socio-economic development of Georgia. © 2022 Bull. Georg. Natl. Acad. Sci.

Covid-Depression, liberal doctrines, New Great Depression, role of state, paradigm, losses

Throughout the history of formation and development of international economic relations, there were many global economic crises, the most serious of which was the "Great Depression" of the last century. It began on Black Thursday, October 24, 1929, when the stock prices fell (by about 70%) at the New York Stock Exchange. At the same time, the economies of scale began to shrink in other countries. The system of Gold Standard was

rejected, banks were in crisis, prices fell, production was in surplus (due to lack of demand), the enterprises went bankrupt, there was supply-demand imbalance, etc. The Great Depression lasted until 1933. As is known, during that period the industrial production decreased by about 45-25% in the developed countries (the USA, the UK, Germany, France). The unemployment exceeded 30 million in the well-developed countries with almost half of it in

the USA. It should be noted that before the Great Depression the economic policy of those countries was based on the principles of liberal doctrines, and no one forecasted the "failures". In that very period the search for a new paradigm became a topical issue. The implementation of economic policy based on the active role of the government in the economy according to the macroeconomic doctrine developed by J.M Keynes made it possible to cope with the severe consequences of the Great Depression [1-8].

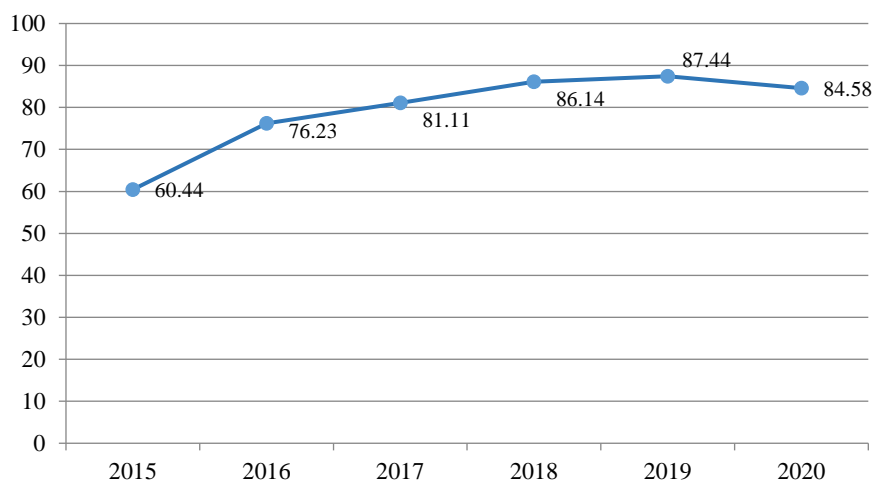
Since then, there were several crises in the global economy, including the global financial crisis of 2007-2009, but none of them was as severe and as specific as the current Covid Depression, before the beginning of which the same neoliberal doctrines dominated in the global economy. The "New Great Depression" began with the Covid-19 Pandemic that caused the death of millions of people and put the economy into difficult situation. Again, a new paradigm – the active role of the government is necessary to solve the problem.

First Economic Consequences of the Covid Depression

In the first phase of the pandemic, the total gross domestic product (GDP) in the world decreased by

about \$3.4 trillion. That is more than the GDP of France and Great Britain, Spain, Italy, India. In the countries of European Union, such a loss amounted to \$303 billion in total, in the United States it amounted to \$496 billion, in Japan \$174 billion, in the UK \$123 billion, while Chinese economy increased by \$543 billion. During the pandemic the economy shrank in all EU countries except Ireland. In the latter, high economic growth was observed because of the highly skilled labor force, relatively low unemployment rate (7.4% in 2020 - 5.9%), highly competitive economy, productivity, relatively low rates of corporate taxes, high level of innovations, large budget for health care, housebuilding, public transport, environmental measures, as well as due to the great annual growth of industrial production including renewable energy (20.2% in 2020) and also due to stable growth of transnational companies, etc. (Fig.).

Global Covid Depression processes had negative impact on the economies of the Commonwealth of Independent States (CIS), but the decline was not as deep as in some developed countries. Moreover, there was a noticeable increase in Turkmenistan due to the demand for fuel and energy resources (Table 1).



According to: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD> 13.11.2021

Fig. World Total GDP 2015-2020 (US\$ Tril.).

Table 1. GDP of the Commonwealth of Independent States (CIS) (US\$ billion)

Year	Azerbaijan	Armenia	Ukraine	Moldova	Russian Fed.	Belarus	Kazakhstan	Uzbekistan	Tajikistan	Kyrgyz Rep.	Turkmenistan
2018	47.113	12.458	130.902	11.457	1,657.000	60.031	179.340	50.393	7.765	8.271	40.765
2019	48.175	13.679	153.930	11.969	1,687.000	64.410	181.667	57.727	8.301	8.861	45.231
2020	42.607	12.646	155.582	11.914	1,483.000	60.258	169.835	57.707	8.194	7.736	47.350
2020/ 2019 (%)	88.44	92.45	101.1	99.54	87.9	93.55	93.47	99.65	98.71	87.3	104.69

Calculated according to: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>;

<https://knoema.com/atlas/Turkmenistan/GDP#:~:text=In%202020%2C%20GDP%20> (13.11. 2021)

Foreign direct investments (FDI) are declined in all the CIS countries except Kazakhstan [9].

Unemployment rate is especially high in Armenia (17%) [10] and in Ukraine (9.5%). The data of some countries are indistinct. For example, in Moldova, the unemployment rate seems to be stable within 5.1-5.5%, while GDP and FDI are reduced. Such a situation may be caused by the outflow of labor force abroad and the reduction of local job seekers. It should be noted that the international databases do not always reflect the recent actual data of the CIS countries.

Georgia, the former Soviet republic, is an independent country now and an associate member of the European Union. Its level of international integration is high. Consequently, the impact of the Covid Depression on it is great. In conditions of market economy, the country relies on the principles of liberal doctrines. However, there is also a problem of finding a new paradigm. In any case, Georgia, like others, is trying to use various methods of government regulation to cope with the serious consequences of the Covid Depression.

Table 2. Some economic indicators of Georgia in pandemic conditions

	2018	2019	2020	I 21	II 21
GDP (current prices in billion dollars)	17.6	17.5	15.9		
GDP per capita	4722	4696.2	4275		
Real GDP growth (%)	4.8	5.0	-6.2	-4.5	29.9
Unemployment rate (%)	19.2	17.6	18.5	21.9	22.1
Inflation (average annual inflation with respect to average annual inflation of previous year/%)	102.6	104.9	105.2		
Export, US\$ mln	3 379.7	3 798.4	2 981.3	2 981.3 (I-IX,2021)	
Import, US\$ mln	9 361.8	9 519.2	8 052.9	7 028.4 (I-IX,2021)	
FDI, US\$ mln	1 317.1	1 335.8	572.0	366.4	
Population below the absolute poverty line, %	20.1	19.5	21.5		

geostat.ge 13.11.2021

In the early stages of the Covid Depression, the foreign direct investments sharply decreased in Georgia, while the unemployment, government debt, poverty, inflation, consumer prices, budget for overcoming the Depression increased, oligopoly intensified, etc. In spite of that, in the current year the economy began to grow (at present it has double-digit growth), new projects are being implemented and steps against oligopoly are taken (Table 2) [11-14].

The above said confirms the initial negative tendency of Covid Depression. Against that tendency it is necessary: to accelerate the global vaccination process and provide finances to cope with the dramatic consequences of Covid-19; to activate the role of the government in the economy.

In Georgia it is necessary: to increase the production of competitive domestic products to satisfy domestic demand with these products; to encourage export-oriented industrialization; to increase the rate and volume of export; to encourage the attraction of foreign investments; to take measures against the oligopolistic market; to encourage utilization of domestic resources; to develop an effective employment system; to establish financial markets and centers; to increase economic relations with other countries, especially with the European Union, with the United States, international centers, etc.

The above-mentioned issues should be reflected in the officially approved action plan of socio-economic development of Georgia.

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ნაშრომში ხაზგასმულია, რომ გასული საუკუნის 20-იანი წლების ბოლოს გაბატონებულმა ლიბერალურმა დოქტრინებმა ვერ უზრუნველყო „დიდი დეპრესის“ მძიმე შედეგების თავიდან აცილება, რომელმაც ახალი პარადიგმის – ეკონომიკაში სახელმწიფოს როლის გაძლიერება მოითხოვა. მაშინ ჯ.მ. კეინზის მიერ შექმნილმა მაკროეკონომიკურმა დოქტრინამ, რომელიც ეკონომიკაში სახელმწიფოს გაზრდილ როლს ეყრდნობოდა, შესაძლებელი გახადა „დიდი დეპრესიის“ მძიმე შედეგების დაძლევა. ასეთი მიდგომა შემდგომ წლებში საკმაოდ პოპულარული იყო. მას შემდეგ, გლობალურ ეკონომიკაში არაერთი გლობალური კრიზისი დაფიქსირდა, მათ შორის, 2007-2009 წლების მსოფლიო ფინანსური კრიზისი, მაგრამ არც ერთი მათგანი ისეთი მძიმე და სპეციფიკური არ ყოფილა, როგორც მიმდინარე „კოვიდ-დეპრესია“, რომლის დაწყებამდე, გლობალურ ეკონომიკაში ისევ ნეოლიბერალური დოქტრინები ბატონობდა. „ახალი დიდი დეპრესია“ კოვიდ-პანდემიით დაიწყო და დიდ ადამიანურ მსხვერპლთან ერთად, ეკონომიკა მარწუხებში მოაქცია. გამოსავლის ძიება, ვფიქრობთ, ისევ ახალი პარადიგმის – სახელმწიფოს როლის გააქტიურებაშია. კოვიდ-დეპრესიის პირველი ნეგატიური შედეგების კვლევის შედეგად გაკეთებული დასკვნის მიხედვით, სახეზეა კოვიდ-დეპრესიის საწყისი ნეგატიური ტენდენციები, რომელთა დასაძლევად საჭიროა: ვაქცინაციის გლობალური პროცესების მკვეთრად დაჩქარება და კოვიდ-19-ის მძიმე შედეგების დასაძლევად საჭირო დაფინანსების უზრუნველყოფა; ეკონომიკაში სახელმწიფოს როლის გაძლიერება; კონკურენტუნარიანი სამამულო პროდუქტის წარმოების ზრდა და ამ პროდუქციით, პირველ რიგში, სამამულო მოთხოვნის დაკმაყოფილება; ექსპორტშემცველი პროდუქციის წარმოების წახალისება; ექსპორტის ზრდის ტემპებისა და მოცულობის ზრდა; უცხოური ინვესტიციების მოზიდვის წახალისება; ოლიგოპოლიური ბაზრის წინააღმდეგ ზომების გამოყენება; სამამულო რესურსების გამოყენების წახალისება; დასაქმების ქმედითი სისტემის შექმნა; ფინანსური ბაზრების და ცენტრების ჩამოყალიბების წახალისება; საქართველოს მეზობელ ქვეყნებსა და, განსაკუთრებით, ევროკავშირთან, შეერთებულ შტატებთან, საერთაშორისო ცენტრებსა და სხვა ქვეყნებთან ეკონომიკური ურთიერთობების გაღრმავება და სხვ. ამასთან, ეს და სხვა საკითხები უნდა აისახოს საქართველოს სოციალურ-ეკონომიკური განვითარების ოფიციალურად დამტკიცებულ სამოქმედო პროგრამაში.

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