Committee: Economic and Social Council (ECOSOC)

Topic: The question of a K-shaped recovery following the COVID-19 pandemic

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Position: President

Personal Introduction

Dear Delegates,

My name is Erika Kunstmann-Drakouli, I am 16 years old and I am attending the 11th grade of the German School of Athens. This will be my first CSMUN Conference and my 12th Conference overall, while also being my third time chairing.

During this session, we will be discussing and debating upon a very important topic, namely: The question of a K-shaped recovery following the COVID-19 pandemic. This document is here as a useful guide and should help you understand the topic better, however it should not be your only piece of research. I encourage you all to further research this topic by visiting the links I have provided at the end of the Study Guide. Furthermore, if you have any questions about the following guide or the topic in general, feel free to contact me via email. I am looking forward to meeting and working with you all and wish for a fruitful debate.

Yours truly,

Erika Kunstmann-Drakouli

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Topic Introduction

The coronavirus pandemic has affected everyone in one way or another. Not only have individual citizens suffered from the various lockdowns mentally, but everyone has suffered economically. Both small businesses and big corporations have seen a decline in profit due to less demand, while other emerging businesses, such as webinar or online shopping applications, have took off during this time. As many companies have not been able to produce any profit, many people have fallen into unemployment, leading to an increasing split in poverty.

A great example of this phenomenon are the multiple lockdowns the world has suffered from, these last 18 months. While restaurants suffered to make a profit during this time, online webinar applications were constantly used for work and school purposes, which made them very profitable. While people were suffering economically, big investors were prospering. The two opposite poles of the economic spectrum create this phenomenon, which resembles a double branch and is called the K-shaped recovery. This can lead to an inequality in the economy, meaning that the rich will become richer while the poor will become poorer, which in turn will create a big wealth gap. Almost every country has been affected by a K-shaped recovery during this time.

Currently, as the restrictions are being lifted, the economy is recovering at a slow but steady pace. Restaurants are making a profit again as citizens are allowed to go out again and more people are able to go back to work. While after the recession these businesses can recover quickly, others might have a difficult time recovering. However, many fear that if a new wave strikes and the world goes back into lockdown the same recession and recovery pattern will happen all over again, meaning that, the sole lifting of the coronavirus restrictions will not completely relieve the economy and eliminate the K-shaped recovery.

Concluding, preventing a K-shaped recovery following the coronavirus pandemic is a crucial matter that needs to be addressed. In the following guide, this topic will be analysed in detail and will propose feasible possible solutions.

Definition of key terms

Economic Recovery

"Economic recovery is the business cycle stage following a recession that is characterised by a sustained period of improving business activity. Normally, during an economic recovery, Gross domestic Product (GDP) grows, incomes rise, and unemployment falls and as the economy rebounds.” [1]

Stock Market

“The stock market is a set of markets and exchanges where regular operations such as buying, selling, and issuance of publicly traded company shares take place. A shareholder can purchase a piece of a firm; as more individuals purchase shares, the company's value rises. If the business is doing well, the stock will increase in value, and the shareholder will be able to sell or exchange it for a profit.” [2]

Income inequality

“Income inequality is how unevenly income is distributed throughout a population. The less equal the distribution, the higher income inequality is. Income inequality is often accompanied by wealth inequality.” [3]

Wealth Gap

“The term wealth gap refers to the difference in assets owned by different groups, which results from a range of economic factors that affect the overall economic well-being of these different groups. A lot of factors such as race, ethnicity, age and gender can cause a wealth gap. The term reflects disparities in access to opportunities, means of support, and resources.” [4]

[1] Team, The Investopedia. “Economic Recovery Definition.” *Investopedia*, Investopedia, 7 July 2021, www.investopedia.com/terms/e/economic-recovery.asp.
[2] Chen, James. “Stock Market.” *Investopedia*, Investopedia, 6 July 2021, www.investopedia.com/terms/s/stockmarket.asp.
[3] Kopp, Carol M. “How Income Inequality Works.” *Investopedia*, Investopedia, 8 July 2021, www.investopedia.com/terms/i/income-inequality.asp.
[4] Mollenkamp, Daniel Thomas. “The Racial Wealth Gap.” *Investopedia*, Investopedia, 9 July 2021, www.investopedia.com/the-racial-wealth-gap-5105010.

Government Expenditure

"Government expenditure refers to the purchase of goods and services from the government, which include public consumption and public investment."[5]Examples could include social welfare, benefits, pensions, Medicare etc.

Systemic inequality

"Inequality describes the marginalisation or oppression of individuals because of their race. Systemic inequality provides another dimension to that; it describes what happens when cultural institutions and systems reflect that individual inequality." [6]

Revenue

"The income that a government or company receives on a regular basis is referred to as revenue." [7] Government revenue is received through taxation, fees, fines etc. If the government's revenue falls, it will be unable to assist sectors such as enterprises, banks, social security systems, and individuals, and the country would be more likely to enter an economic recession.

Taxation

"Taxation is a term for when a taxing authority, usually a government, levies or imposes a financial obligation on its citizens or residents." [8]

Gross Domestic Product (GDP)

"Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As

[5] "What Are Government Expenditures? - Definition: Meaning: Example." *My Accounting Course*, www.myaccountingcourse.com/accounting-dictionary/government-expenditures.
[6] TodayShow. "What Is Systemic Racism?" *TODAY.com*, 4 Feb. 2021, www.today.com/tmrw/what-systemic-racism-t207878.
[7] Hayes, Adam. "Understanding Revenue." *Investopedia*, Investopedia, 7 July 2021, www.investopedia.com/terms/r/revenue.asp.
[8] Kagan, Julia. "Taxation." *Investopedia*, Investopedia, 7 July 2021, www.investopedia.com/terms/t/taxation.asp.

a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health." [9]

Interest rates

"The interest rate is the amount a lender charges in exchange for getting a loan. The interest rate is typically noted on an annual basis known as the annual percentage rate (APR). The assets borrowed could include cash, consumer goods, or large assets such as a vehicle or building." [10]

Economic stimulus

"Economic stimulus is action by the government to encourage private sector economic activity by engaging in targeted, expansionary monetary or fiscal policy. Economic stimulus is commonly employed during times of recession. Policy tools often used to implement economic stimulus include lowering interest rates, increasing government spending, and quantitative easing, to name a few." [11]

Monetary Policy

"Monetary policy refers to central bank activities that are directed toward influencing the quantity of money and credit in an economy."[12] This is done by decreasing interest rates, therefore encouraging citizens to borrow loans and increase spending in the economy.

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[9] Fernando, Jason. "Gross Domestic Product (GDP)." *Investopedia*, Investopedia, 29 May 2021, www.investopedia.com/terms/g/gdp.asp.
[10] Banton, Caroline. "Interest Rate: What the Lender Gets Paid for the Use of Assets." *Investopedia*, Investopedia, 19 May 2021, www.investopedia.com/terms/i/interestrate.asp.
[11] Team, The Investopedia. "Economic Stimulus." *Investopedia*, Investopedia, 7 July 2021, www.investopedia.com/terms/e/economic-stimulus.asp.
[12] "Monetary and Fiscal Policy." *CFA Institute*, www.cfainstitute.org/en/membership/professional-development/refresher-readings/monetary-fiscal-policy#:~:text=Monetary%20policy%20refers%20to%20central,regulate%20economic%20activity%20over%20time.

Fiscal Policy

"By contrast to monetary policies, a fiscal policy refers to the government's decisions about taxation and spending." [13] There are 2 types of fiscal policies, namely the contractionary fiscal Policy and the expansionary fiscal policy. When implementing a contractionary fiscal policy, government spending decreases and taxation increases, whereas when implementing an expansionary fiscal policy, government spending increases and taxation decreases.

Background Information

On New Year's Eve 2019, Wuhan, China, recorded the first case of coronavirus. Since then, the disease has spread throughout the world and a continuing pandemic has been declared.

In the early 2020s, the United States made some serious accusations against China, saying that China had withheld information about its reports and the number of coronavirus cases. During and after numerous lockdowns, the economy and democracy suffered losses globally and locally.

Why and how economies crash

There are many causes as to why an economy would crash. Some of the most notable causes being the following. Deflation, lowers the value of products and services on the market,and disables people from making purchases until the prices fall more. Furthermore, high interest rates limit the borrowing of loans, thus discouraging them from purchasing goods. Lastly, when a country's stock market crashes, this can indicate a decline in the economy. When shareholders lose confidence in their share, they proceed to selling their share, in order for it to not lose any more value. This could lead to the drastic fall of company values, unemployment

[13] "Monetary and Fiscal Policy." *CFA Institute*, www.cfainstitute.org/en/membership/professional-development/refresher-readings/monetary-fiscal-policy#:~:text=Monetary%20policy%20refers%20to%20central,regulate%20economic%20activity%20over%20time.

rise etc. In addition, when many shareholders sell their share in an attempt to gain back their invested money from the banks, this leads to instability of the banks and loss of liquidity. If the economy falls, one's ability to obtain credit will most likely be limited. Financial institutions would be forced to close. Food, gasoline, and other basic essentials would be in short supply. Water and power may be unavailable if the collapse affects local administrations and utilities.

COVID-19 economic recession

As soon as Covid-19 was declared to be a pandemic by the World Health Organisation (WHO) and the whole world went into lockdown, the economy went into a big recession. Many small and big businesses stopped being profitable, but rather losing money due to the lack of people going outside and travelling to other countries.

Effects

Despite its financial appearance, the coronavirus crisis was caused by a public health issue, not a financial one. To curb the spread of the infection, solid companies had to halt operations and confine their employees. Many of these companies fired a big number of workers because they couldn't afford to keep their pay up throughout the crisis, leading to many people depending on government support and unemployment benefits.

The corona virus has also affected both big and small businesses, but also individuals as a whole. The disease mitigation measures that have been imposed in many nations have resulted in significant income reductions, increased unemployment, and disruptions in the transportation, service, and industrial industries, to name a few.

K-shaped recovery

What it entails

The term “K-shaped recovery” is usually accompanied by the term “K-shaped recession”. By looking at the graph below, one can make out that the first downward line represents the economic recession. The downward branch of the K, represents the parts of the economic recovery that remain stagnant, while the upward branch represents the parts of the economy that have been recovering successfully. Some examples for the upward branch would be the various web meeting platforms and the more frequent usage of online shopping applications, whereas some examples for the downward line would be tourism and all the businesses that require live interactions to turn a profit, such as hairdressers etc. Certain segments of the population recover more quickly than others in a K-shaped recovery. What distinguishes a K-shaped recovery is that, while certain sectors of the economy may see a rapid comeback following the recession, others may experience sluggish growth or even contraction. When the arms of a letter K are plotted together, the overall shape of such uneven performance of various parts of the economy, resembles the arms of a letter K, with one increasing and the other decreasing.

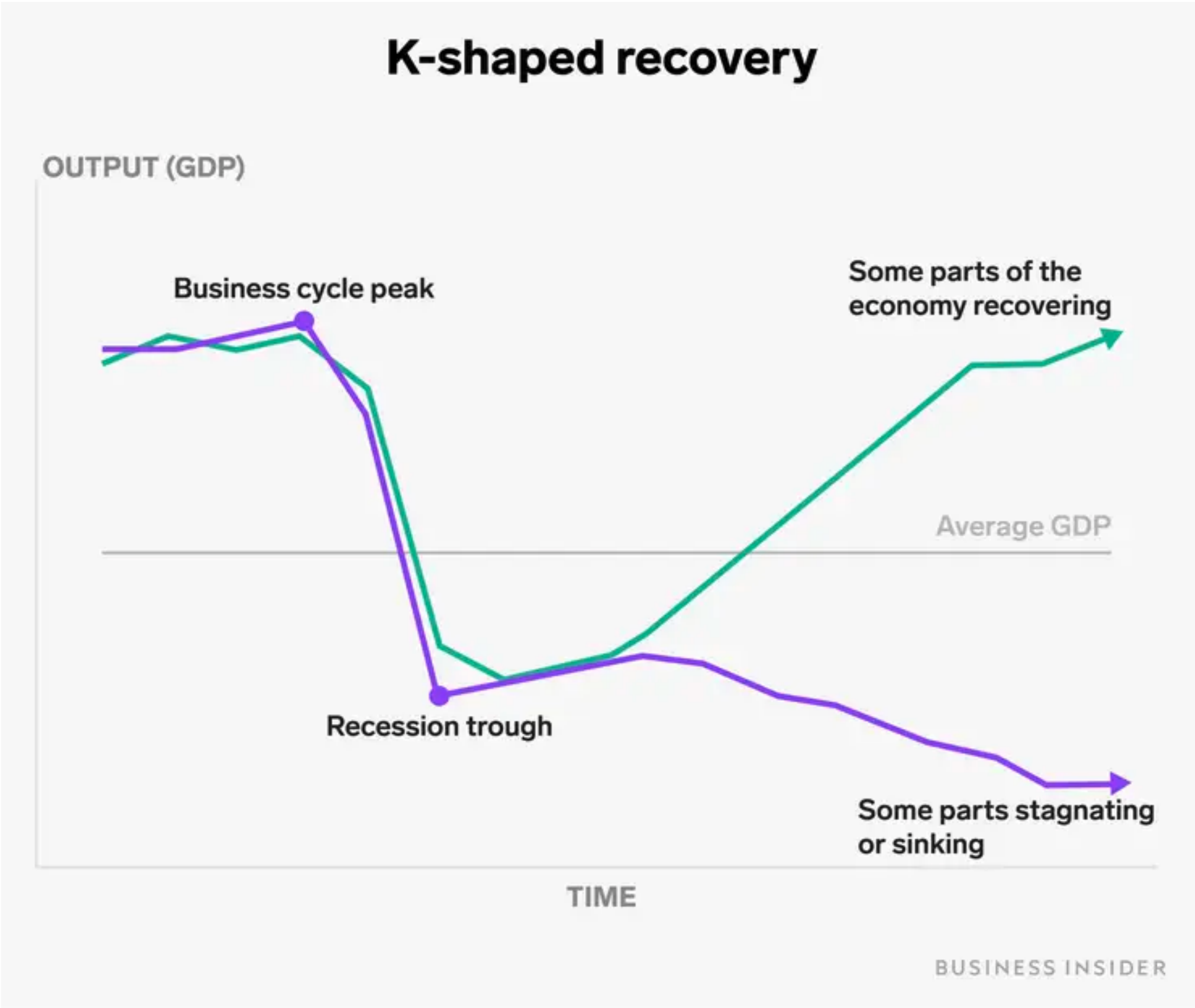

Figure 1: The K shaped recovery [14]

Causes

The K-shaped recovery is a multifaceted problem that is triggered by various economic instabilities. A recession that affects different demographics can be a cause of a K-shaped recovery. These different demographics would be categorised as more financially stable and less financially stable. K-shaped recoveries could also be caused by discrepancies that existed prior to the recession, such as the wealth gap between races, genders and ethnicities, which has only widened. As aforementioned, during

[14] Aldrich, Elizabeth. "What a k-Shaped Recovery Means, and How It Highlights a Nation's Economic Inequalities." *Business Insider*, Business Insider, 17 Dec. 2020, www.businessinsider.com/k-shaped-recovery-definition.

the Covid-19 pandemic, big asset owners and businesses such as online shopping companies and web conferencing applications, have taken off, leaving smaller businesses on the other end of the spectrum and broadening the double branch which separates the 2 opposites.

Effects

With specific reference to the current health crisis, restaurants were among the hardest damaged companies. According to the National Restaurant Association, nearly 17 percent of restaurants were closed permanently by December 2020, with those that remain open reporting a 36 percent drop in revenue[15]. Moreover, many citizens became unemployed due to the closing of many companies, which also contributed to the big wealth gap many countries were and also still continue to face. Other industries prospered at the same time. As many lost their homes due to poverty, investors took advantage of these misfortunes and gained these assets. Companies became more reliant on video services like Zoom as they switched to remote work. As a result, the web conferencing market has exploded, growing from $2.1 billion in 2019 to $78.5 billion by 2030. [16]

Other types of economic recoveries

Except for K-shaped recoveries there are multiple other ways for an economy to recover. These recovery shapes mostly depend on the speed of the recovery at hand. These will be further analysed below.

V-shaped recovery

The most ideal way for an economy to recover is in a V-shaped form. In this instance the economy falls rapidly however it also recovers at the same speed. A major change in economic activity, produced by quick adjustments of consumer demand and

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15 *Restaurant.Org*, 2021, https://restaurant.org/downloads/pdfs/advocacy/nat-l-restaurant-assoc-ltr-to-congress-12-7-2020.

16 "Web Conferencing Market: COVID-19 Impact on Global Revenue, 2030." *Prescient & Strategic Intelligence Private Limited*, www.psmarketresearch.com/market-analysis/web-conferencing-market-report.

business investment spending, is usually the catalyst for such recoveries. During a V-shaped recovery the economy does not stay stagnant; it is always moving, meaning that, as opposed to the K-shaped recovery, there will not be different branches while recovering.

U-shaped recovery

The U-shaped recovery is really similar to the V-shaped recovery. It follows the same pattern, however the economy falls slower and does not recover as quickly as in a V-shaped recovery. A U-shaped recovery is a type of economic recession and recovery in which some indicators, such as employment, GDP, and industrial output, drop abruptly and then remain down for 12 to 24 months before rebounding. As the U-shaped recovery follows the exact same pattern with the V-shaped one, the U-shaped recovery has the same differences with the K-shaped.

W-shaped recovery

In a W-shaped recovery, that is also known as the double dip recession, after a recession there is a short term economic recovery which turns into a second recession before turning to a long term recovery again. Out of all economic recoveries, this would be the most similar to the K-shaped one as it regresses twice. A W-shaped recession is severe because many investors who return to the markets after believing the economy has bottomed out are burned twice: once on the way down and again after the illusory recovery. By no means are they exactly the same, however due to the double dip in the W-shaped and the double branch in the K-shaped one might say they are similar, as both have a hard time recovering.

L-shaped recovery

Out of all the economic recoveries, the L-shaped recovery is the least optimistic one. It is the opposite of the V-shaped recovery. The economy crashes quickly, but remains stagnant for a very long period of time before recovering again. The failure of the economy to return to full employment after a recession is the most crucial trait that identifies an L-shaped recovery. During an L-shaped recovery, the economy does not adjust and reallocate resources rapidly enough to get workers back to work and businesses up and running. Many workers can go unemployed for long periods of time or even abandon the workforce entirely. Similarly, capital commodities like factories and equipment may sit idle or underutilized for long periods of time. While the K-shaped recovery might have some disadvantages due to the "double recovery", the L-shaped recovery is the most frowned upon recovery out of all, as it has the slowest recovery.

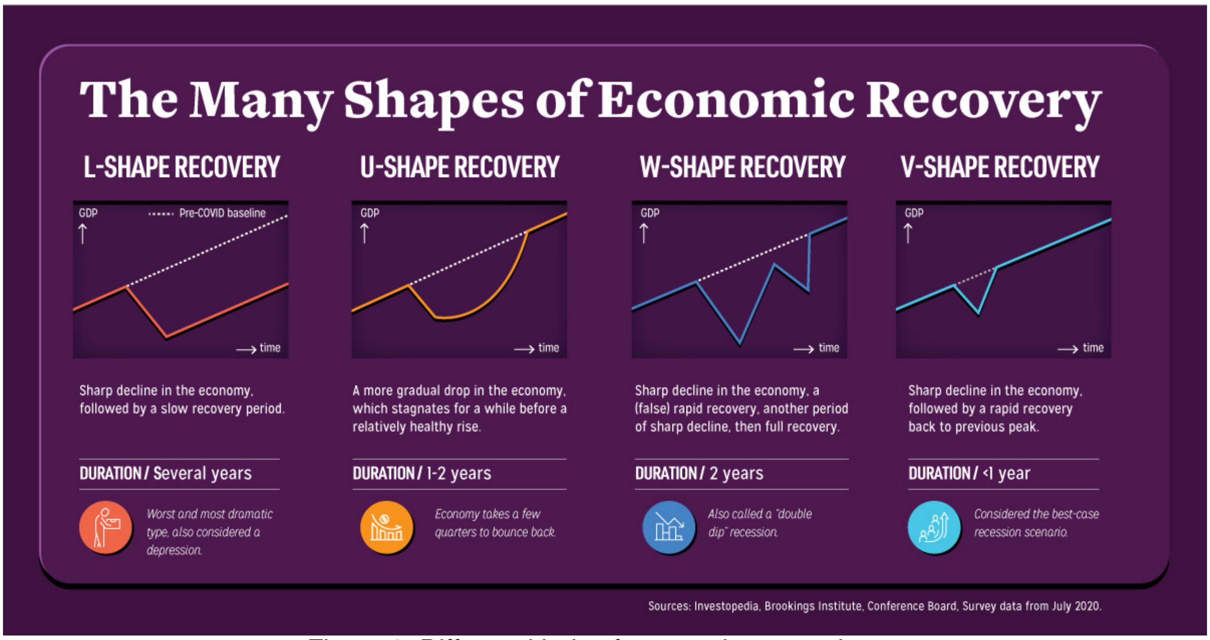

Figure 2: Different kinds of economic recoveries [17]

The Great Depression

The Great Depression was the most severe and long-lasting economic downturn in contemporary history. It began with the 1929 stock market crash in the United States and lasted until 1946, when World War II ended. Individuals and corporations alike lost a lot of money when the stock market crashed in 1929. The causes of the Great Depression were the unequal distribution of income, the overproduction of local goods and the lack of local goods being exported, among

[17] "Shapes of Recovery." Https://Www.google.com/Url?Sa=i&Url=Https%3A%2F%2Fwww.Visualcapitalist.com%2Fshapes-of-Recovery-When-Will-the-Global-Economy-Bounce-Back%2F&Psig=AOvVaw019rmZD1PhDgyMLDkgNOyZ&Ust=1631995405626000&Source=Images&Cd=Vfe&Ved=0CAwQjhxqFwoTCJjl5enmhvMCFQAAAAAdAAAAABAj.

others. Employers cut wages, extended working hours and dismissed thousands individuals leading to a drastic increase of poverty and other social issues. Some of the causes for the Great Depression are the Wall Street Crash[18], the overproduction of goods, the flawed distribution of income and the poor exports to other countries. During the 1930s, a number of specific events and policies contributed to the Great Depression and served to extend it.

The 2008 Great Recession

During the late 2000s, the Great Recession was characterised by a dramatic drop in economic activity. It is often regarded as the worst downturn since the Great Depression. The term "Great Recession" refers to both the United States' recession, which lasted from December 2007 to June 2009, and the worldwide recession that followed in 2009. The report first revealed the government's failure to control the financial industry. The Fed's inability to regulate hazardous mortgage lending was one example of this failure to regulate. Following that, there were far too many financial institutions taking on far too much risk. The shadow banking sector, which included investment firms, grew to rival depository banking but was not subject to the same oversight or regulation. Excessive borrowing by consumers and organizations, as well as policymakers who were unable to fully comprehend the failing financial system, were among the other causes listed in the research. Moreover, many compare the great recession to the coronavirus pandemic recession.

Major countries and organisations involved

United States of America

In January of 2020 the first coronavirus case was recorded in the United States. After the first major wave the government imposed regulations to stop the spreading of the virus. Monetary and Fiscal regulations were imposed to aid the economy, which

[18] Richardson, Gary. "Stock Market Crash of 1929." *Federal Reserve History*, www.federalreservehistory.org/essays/stock-market-crash-of-1929.

contributed to the following; President Biden signed the American Rescue Plan into law on March 11, 2021, providing another round of coronavirus relief at a cost of $1,844 billion (about 8.8 percent of 2020 GDP). The plan focuses on investing in public health response and giving families, communities, and businesses with time-bound help.[19] The United States is currently experiencing a K-shaped recovery, which has led to a rise in poverty, inflation and homelessness.

United Kingdom

The first reported case of Covid-19 was reported on the 31st of January 2020. After not imposing regulations for a very long time, the government implemented measures to prevent the further spread of the virus. Monetary and Fiscal regulations were imposed, which contributed to the following; Chancellor Sunak announced an additional £59 billion fiscal stimulus on March 3rd (nearly 2.6 percent of GDP). A lot of money was given for both virus-related support measures and recovery-related issues. A six-month extension of the furlough scheme costing roughly £20 billion was included in the support for homes.[20]

Bosnia and Herzegovina

On the 5th of March 2020 the first coronavirus case was reported. The government declared a country wide state of emergency, which made schools, restaurants and shops close, banned public transportation and imposed restrictions to movement such as closing the borders to non-Bosnia and Herzegovina citizens. As of the 4th of June 2021, unless otherwise stated, enterprises such as restaurants, bars, and shops are open and subject to sanitation and social distancing standards. In 2020, Bosnia and Herzegovina committed significant resources to mitigating the negative consequences of COVID-19 and supporting the economy and households. Strong

[19] "Policy Responses to covid19." *IMF*, www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#U.
[20] "Policy Responses to covid19." *IMF*, www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#U.

assistance for the health sector and seriously impacted businesses, through government aid and benefits, were among them.

China

After the initial coronavirus outbreak in Wuhan, the government imposed containment measures to prevent the spread of the virus. These measures made the economy contract by 6.8% in 2020. Monetary and Fiscal responses, which included the increased spending on epidemic prevention and the liquidity injection into the banking system via open market operations, were made to control the economy[21]. The government has also taken a number of initiatives to limit the tightening of financial conditions, including extending a period of limited forbearance to help affected households, businesses, and regions with repayment issues.

Australia

The first coronavirus case recorded was on the 25th of January 2020. The Australian Government took immediate action to combat the virus. It imposed strict Covid regulations and lockdowns and as of July 1st 2021. Australia has taken a different approach in order to aid the economic recovery and to prevent a K shaped recovery.The Australian government has given early access to citizen’s retirement savings. This policy has allowed people to gain access to additional money, which could be used for them to steadily recover from the current economic recession.

United Nations Development Programme (UNDP)

The United Nations Development Programme (UNDP) is the UN's global development network. It encourages countries to cooperate on technical and investment issues, pushes for change, and connects countries to knowledge, experience, and resources to help people improve their lives.

[21] “Policy Responses to covid19.” *IMF*, www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#top.

Alongside the World Health Organisation (WHO) the UNDP has made a plan for social and economic recoveries, that would greatly benefit the unemployment rate and help the economy recover faster. This plan will be further analysed below.

World Health Organisation (WHO)

The World Health Organisation (WHO) is a UN specialised agency and its aim is to ensure public health, who has been a protagonist in the coronavirus pandemic.On the 26th of May 2020 the WHO published a report, named "WHO manifesto for a healthy recovery from Covid-19"[22], which addresses both economic and social ways to recover from the coronavirus pandemic, more specifically it aims to create a more sustainable world, while investing to maintain and resuscitate the economy.

International Monetary Fund (IMF)

The International Monetary Fund (IMF) is a 19-country institution dedicated to global monetary cooperation, financial stability, international trade facilitation, high employment and long-term economic growth, and poverty reduction.The IMF has uploaded a tracker that outlines the key economic responses that governments took to limit the human and economic impact of the coronavirus pandemic. It adds up tax and spendings, loans and guarantees, monetary instruments and foreign exchange operations. This helps keep track of the situation in the world and its responses, as it shows all three different ways governments have acted upon the situation. This in turn, could also give other governments ideas on how to act during a future economic recession. [23]

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[22] "WHO Manifesto for a Healthy Recovery from COVID-19." *World Health Organization*, World Health Organization, www.who.int/publications/i/item/who-manifesto-healthy-recovery-covid19.

[23] "Policy Responses to COVID19." *IMF*, www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19.

Timeline of events

1929 – 1945	The Great Depression
December 2007 - June 2009	The Great Recession
31st of December 2019	The first coronavirus case was identified
21st of January 2020	The first Covid-19 case in the US
30th of January 2020	The World Health Organisation (WHO) issues Covid-19 as a global health emergency
20th of February 2020	The global stock market crash began due to the Covid-19 pandemic
23rd of February 2020	First Covid-19 case in Europe
11th of March 2020	The WHO declared Covid-19 as a pandemic
16th of March 2020	The stock market crashed in the US
26th of May 2020	The World Health Organisation (WHO) publishes the WHO manifesto
September 2020	1,000,000 confirmed global Covid-19 cases
14th of October 2020	The Australian government passed the Treasury Laws Amendment
January 2021	2,000,000 confirmed global Covid-19 cases
16th of April 2021	After the distributions of vaccines the stock market recovered

Previous attempts to solve the issue

Response to the Great Depression

The New Deal

Former US President Franklin D. Roosevelt launched the New Deal, an innovative and unparalleled set of domestic programs and laws, aimed at boosting American business, lowering unemployment, and protecting the public. The government might and should stimulate the economy, according to the plan. The New Deal established lofty ambitions for national infrastructure development and maintenance, as well as full employment and livable salaries. Price, wage, and even production controls were used by the government to achieve these objectives.

Alphabetagencies

The Civilian Conservation Corps (CCC), the Works Progress Administration (WPA), and the National Recovery Administration (NRA) are examples of well-known institutions that managed to aid the economy and steer it to a steady recovery. Alphabet agencies helped the unemployed by subsidizing work initiatives for more than 20 million people, supporting roughly five million households each month. Vaccinations and literacy training were also offered for millions of those who couldn't pay them. [24] What were formerly thought to be short-term problem-solving organizations have grown to be well-established and regularly impactful. This is a significant example of how government aid and benefits can help individuals recover from the socioeconomic effects of a recession.

Response to the Great Recession

Monetary and Fiscal Policy

To encourage liquidity, the Federal reserve system cut a key interest rate to virtually zero and, in an unprecedented move, supplied banks with $7.7 trillion in emergency loans under a policy known as quantitative easing. Central banks use quantitative easing to expand the money supply by purchasing government bonds and

[24] the Editors of Publications International, Ltd. “14 Of the New Deals Alphabet Agencies.” *HowStuffWorks*, HowStuffWorks, 13 Sept. 2007, www.money.howstuffworks.com/14-of-the-new-deals-alphabet-agencies.htm.

other securities. Consequently, people were encouraged to borrow more loans from bank, and to boost the economy through their purchases and investments.

Coronavirus guidelines

To help the economy recover, it was vital to set some strict guidelines following the coronavirus pandemic.

Reactive Measures

As many governments imposed strict lockdowns, the economy started crashing, due to the lack of profit being made. As workplaces became fewer and companies shut down, the unemployment rate increased. This leads to an even bigger split in the wealth gap, as the poor become poorer and the rich become richer. Therefore these measures are an example of how safety measures saved lives, however burdened the economy

Working from Home

Working from Home was an effective measure imposed to ensure that citizens would not lose their jobs while in lockdown. It gave hundreds of people the ability to continue their important jobs from the comfort of their own home, by using video call platforms such as Zoom and Microsoft Teams. It opened up various job opportunities as well as new ways to guarantee a monthly income.

Relevant UN Resolutions, Events, Treaties and Legislation

Treasury Laws Amendment

On the 14th of October 2020 the Australian Government passed a legislation called the Treasury Laws amendment, which essentially is a tax plan for the Covid-19 Economic Recovery. It thoroughly discusses the Income Tax plan which, as of 2021, has been in force and promotes the acceleration of the personal income tax plan and increasing a small business entity turnover threshold for certain concessions. This tax plan will be in force until 2024. [25]

United Nations Development Programme (UNDP)

In cooperation with the WHO, the UNDP has made a plan for a socioeconomic recovery after the pandemic. Protecting health services and systems; social protection and basic services; protecting jobs and small and medium-sized enterprises, as well as the most vulnerable productive actors; macroeconomic response and multilateral collaboration; and social cohesion and community resilience are the five critical pillars of the UN's global framework. The United Nations Development Programme, as the UN's lead agency on socio-economic impact and recovery, will take the technical lead in the UN's socio-economic recovery efforts, supporting the Resident Coordinators' overall coordination role and ensuring that UN teams work as one across all aspects of the response. [26]

Possible solutions

Easing an already existing economic decline

Raising awareness

Raising people's cautiousness in order for them to be able to weather a financial downturn can reduce the high rates of poverty in the event of another economic downturn. This could be done by encouraging citizens to have a saving, composed of both money and assets, that could be used in case of an emergency future crisis. Furthermore, having a general knowledge on how economies work would benefit citizens, as it would make them more cautious with their decisions, whether those are investing or saving decisions.

[25] *Treasury Laws Amendment (A Tax Plan for the COVID-19 Economic Recovery) Act 2020*, www.legislation.gov.au/Details/C2020A00092.
[26] "UN Sets out COVID-19 Social and Economic Recovery Plan." *United Nations Development Programme*, www.undp.org/press-releases/un-sets-out-covid-19-social-and-economic-recovery-plan.

General tax cuts

Tax cuts are usually a way to help the economy by placing more money in the hands of taxpayers. This money would then be invested back into the economy, in an attempt to boost its cycle. The majority of the times, tax cuts are employed to bring a recession to a conclusion. It's a well-liked type of fiscal stimulus. Because tax cuts lower government revenue, they raise government debt in the short. When governments reduce taxes, they often do so at the risk of expanding the budget deficit. The government receives lower tax income while maintaining the same level of spending, resulting in a net gain to the economy. Consequently, this leads to limited aid from the government when it comes to benefits, social welfare and other services. Overall, lower tax rates increase the after-tax benefit for working, saving, and investing, which has a beneficial effect on the size of the economy.

Reducing interest rates

By cutting interest rates, the central bank effectively puts more money in the pockets of individuals and companies, encouraging savers to spend. As a result, borrowers with variable-rate mortgages will pay their lenders less each month. Instead, they now have an extra source of income to invest in the economy. When customers pay less interest, they have more money to spend, which can lead to a rise in overall expenditure across the economy. Lower interest rates assist businesses and farmers as well, as they stimulate them to make significant equipment purchases due to the low cost of borrowing.

Business loans

Loans are really important for the economy. These business loans would be given to businesses in order to help make their businesses more profitable again and to individuals to aid them economically. To get such loans, there would be some qualifications that would have to be met, which would be set by the banks. If one is not able to meet these qualifications, due to a lower income, there would be a second set of qualifications, which would prove if the lower income individual is actually qualified to get a loan. The resources allocated to capital expenditures promote corporate activity, resulting in total economic growth.

Welfare schemes

Welfare refers to government-sponsored assistance programs for low-income individuals and families, who could be struggling due to the effects of a recession. Examples of welfare that could be provided are food stamps, health-care aid, unemployment benefits, housing aid etc. These services could support people in need and gradually steer them to the road of recovery. When it comes to funding, typically, taxation is used to fund these welfare programs.These would be funded by the government of each country, nevertheless, big asset owners could also launch such initiatives. However, welfare schemes are strongly reliant on assumptions about how individuals and society as a whole may be defined, quantified, and compared, and this may lead to their unsucess.

Quantitative easing

Quantitative easing is a strategy used by most central banks to flood the market with new money in the aim of liquidating credit markets and making it easier for financial institutions to lend money. After the central bank purchases government debt from financial institutions, they are free to lend to individuals and businesses. Alternatively, if the institutions want to borrow more, they may simply purchase fresh government debt[27]. Interest rates are pushed lower via quantitative easing. This reduces the earnings on the safest products, such as money market accounts, certificates of deposit, Treasuries, and corporate bonds, for investors and savers. Investors are compelled to take on more risky investments in order to get higher profits.

Preventing a K-shaped recovery

Contractionary Fiscal Policy

[27] Boyce, Paul. "Recession Definition: Causes, Effects, and Solutions." *BoyceWire*, 24 May 2021, boycewire.com/recession-definition/.

Governments use contractionary fiscal policy to reduce government spending or raise taxes. These policies, in their most basic form, take funds out of the private economy in the goal of slowing excessive production or lowering asset prices. This would reduce aggregate demand by reducing consumption, investments, and government spending, either through spending cutbacks or tax increases. However, this deceleration in the economy, and production can lead to increased rates of unemployment, since companies will be employing fewer people.

Helping small and local businesses

Helping small and local businesses can have great effects on the economy. They generate a large number of employment in our economy, encourage innovation at all levels, and provide opportunities for people to advance economically. One way to support them could be through market penetration. Market penetration is a corporate growth approach. When a small business decides to promote existing products in the same market as before, it employs a market penetration strategy. Increased market share is the only method to grow with existing products and markets. Aid could also be provided to small businesses through government welfare schemes, or initiatives taken by big business owners.

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