
Amir Moradi

Extended Abstract

This paper investigates the COVID-19 outbreak and explains that the policies adopted by governments around the world can be categorized into five groups: testing as many as possible, offering insurance coverage, increasing hospital capacities, implementing social distancing restrictions, and promoting personal protective equipment. The final intention of all policies is to reduce the exposed cases and accidental transmission until when the population is vaccinated (or the society reaches the herd immunity), but they create some side effects which both overwhelm health-care services in short term and portray a tragic outcome for the economy in long term.

As the casualty rate of the pandemic rises over the world, many governments increase the severity of social distancing measures and decide to shut down their countries and businesses to flatten the infection curves. However, as time passes, the economic side effects of this policy loom and darken the economic outlook for every single country and the World. This paper applies the causal loop diagrams to explain the interlinkages amongst the important variables and state that the side effects of social distancing are highlighted in three categories: short-term, midterm, and long-term by explaining the reinforcing loops that require time to get stimulated.

The short-term loops result in demand and supply shocks in any economy and if this policy stays effective for a longer period, the midterm loops get activated, leading to corporate and government debt crises. When the pandemic duration extends, the long-term side effects appear with a deflationary recession and a banking crisis. The quickness of moving from one category to another in an economy depends on the financial strength of firms and their government. Finally, this paper anticipates some changes in future business caused by the pandemic, which can bring insights for managers.

Keywords: COVID-19 pandemic; causal loop diagrams; side effects; global economy; international finance.
References


