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The hidden impact of COVID-19

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As the COVID-19 pandemic wreaks havoc around the world, concerns have largely been focussed on its immediate impact on economies and health-systems. Lockdowns have led to business bankruptcies, particularly in the micro-business sector, to reduction of salaries and high levels of unemployment. In addition, in several countries, they have resulted in a degree of social distress leading to anti-lockdown movements that have stirred anti-government sentiments.

The pandemic, furthermore, has forced governments to face the shortcomings of their healthcare systems. In many countries it has become evident that their health system is unprepared for the challenges that have emerged from the crisis.

An additional sub-set of the economic impact is an increase in socio-economic inequalities. In the US and the UK, for example, it has been observed how COVID-19 affects certain minority communities more. In developing countries, the pandemic threatens to halt the cash flows from migrants living in developed economies.

Remittances are a lifeline that enable many families to remain out of poverty but soaring unemployment in countries such as the US has minimized, if not eradicated, job opportunities for migrants. In addition, with several developing countries facing the potential collapse of their healthcare system, the most vulnerable communities could be affected disproportionately.

In the long-term, such trends will increase inequality levels in some regions of the world.

Observers have pointed out that in some countries or regions, such as southern Italy, where the economy has been struggling in recent years, the pandemic has opened the door for fringe groups to act as coping channels for people facing further economic struggles resulting from the pandemic.

Elsewhere, in Palermo for instance, members of the mafia have reportedly provided food in poor neighbourhoods. Similarly, in Japan, the Yakuza distributed free supplies to members of the general public in an attempt to improve their reputation. In Mexico, [drug cartels delivered groceries to low-income families](#) to diminish the impact of COVID-19, “trying to win over the hearts and minds of Mexico’s poor”.

Reports indicate that organized crime’s challenging of UK authorities differs. Drug gangs have taken advantage of the lockdown restrictions — which have reduced the presence of youth workers in the field — by targeting vulnerable children for recruitment.

In other countries, the approach of fringe groups during the pandemic has focused on acting as a *de facto* authority in some communities. In Brazil, when President Bolsonaro disregarded COVID-19 as merely a “little flu” and largely ignored the crisis, criminal gangs stepped in to enforce lockdown measures.

In Rio de Janeiro’s favelas, gangs reportedly imposed a strict curfew to reduce the rate of infection. Similarly, in El Salvador, street gangs enforced social distancing measures. Observers have indicated that in some communities, these gangs are more effective than authorities, often threatening people who do not follow lockdown rules.

The potential effect of organized crime groups acting as providers of public services may be one of the undetected impacts of COVID-19. Authorities may lose a fair degree of legitimacy within the communities in which gangs have “substituted” them during the pandemic. Otherwise put, elected officials’ lack of ability to provide support and solutions to a crisis and protect communities, has led to a legitimacy vacuum. It is thus likely that in some segments of society the level of trust in authorities and, more problematically, in democratic institutions in general, will show signs of decline.

There are other trends that can compound the issue. In some countries, such as El Salvador, Hungary, Poland, Russia and Turkey, governments have been accused of taking advantage of the pandemic emergency to increase their political power. El Salvador recently faced a potential constitutional crisis as its Attorney General challenged a presidential decree to expand the state of emergency which lacked the National Assembly’s approval.

In Hungary, regulation adopted to deal with COVID-19 allegedly increases the power of the executive government indefinitely because it confers exclusive power to end the emergency on the executive. In Turkey, there have been attempts to quiet dissent by controlling social media outlets, thus increasing government censorship of its critics.

Another trend is in relation to the transparency of the process of registering COVID-19 cases. In countries such as the US, the process of gathering and reporting data related to the pandemic has been questioned. In some cases, it is arguable that officials have under-reported the number of cases on the request of government officials and in doing so provided an inaccurate picture of the pandemic's impact; this is crucial when seen in the light of relaxing lockdown restrictions.

Such trends can only contribute to an increasing distrust in governmental authorities and democratic institutions in general. Distrust in institutions can lead to one of the subtler impacts of COVID-19.

That is, it can potentially hamper the societies' capacities to circumnavigate the post-COVID-19 world. In short, the risk is that the socio-economic pressures that have been building up throughout the crisis will erupt and that the institutions needed to cope with such unrest could find themselves weakened owing to the crisis.

To counteract such trends, governments need to adopt more transparent policy-making processes. Furthermore, they need to adapt to the changing circumstances that the pandemic generates and ensure that policy implementation is effective. The Republic of Korea, for example, has been praised for its openness, transparency and quickness in dealing with the crisis. Similarly, the governments of Iceland and Taiwan have received strong approval rates for being open and effective in addressing the pandemic.

In addition, continued support for the most vulnerable in society is fundamental. Argentina, for instance, has suspended evictions for individuals who cannot afford their rents, and Uruguay has implemented a food program for the most economically vulnerable. In some other countries policies try to prevent citizens entering poverty.

In this vein, the Singaporean government has provided funds in the form of one-off relief provisions or grants to people who have lost their jobs. The same is true for other advanced economies like Canada which is providing similar relief in the form of an emergency response benefit or additional child benefit. Such actions will minimize the risks of increasing socio-economic inequalities resulting from the COVID-19 crisis.

Crucial mechanisms for overcoming the socio-economic effects of the pandemic include national institutions related to justice and the rule of law, and the legal framework and the security systems that a government has under its power. In addition, the transparency in bureaucratic practices, for instance, the monitoring of bribery and corruption as a key mechanism in the Paraguayan government's program of funds for food and hygiene products in support of the most vulnerable.

Challenges can also be alleviated by the safety net that an economy provides, from public medical provisions and unemployment benefits to food supplies and in-kind support that is available for low-income citizens.

Interestingly, these institutions that are working to improve the wellbeing of citizens, can experience a backlash because of, in some cases, the inability of governments to deal with the pandemic directly and to support their populations effectively; and in others, because of the willingness of some governments to seize political power and to encourage a lack of transparency in processes that are fundamental to dealing with the crisis. Institutions provide the foundation for political stability in which an economy can flourish. The latter is essential to soften the blow of the pandemic, particularly in a context of increasing socio-economic inequalities.