

# The moral dilemma and asymmetric economic impact of COVID-19

Constantine E. Passaris [University of New Brunswick, Canada]

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## Introduction

COVID-19 has forced us to acknowledge that we live in the Age of Internetization. Internetization is a new concept that I have coined to describe our individual and collective empowerment through digital infrastructure and electronic connectivity in the 21<sup>st</sup> century. The global pandemic revealed an economic disparity and a digital divide between developed and developing countries. In addition, it has also demonstrated a philosophical dilemma based on the public policy binary options for developed and developing countries between saving lives and protecting livelihoods.

The coronavirus pandemic has widened the economic disparity between developed and developing countries. The economic impact and consequences of COVID-19 on a global scale have been uneven and asymmetric. This disparity has been magnified because of the digital divide which is reflected in the lack of electronic infrastructure and digital capacity in developing countries.

## Global pandemic

COVID-19 unleashed a worldwide medical, social, and economic catastrophe. In a globalized world, national borders were not able to prevent the transmission of the virus. National economies were devastated. The format of social interaction had to be re-invented. In addition, COVID-19 strained the contemporary governance architecture and the efficacy of its public policy.

The economic impact of the global pandemic has been profound and multilayered. It has affected the economic well-being of individuals and families. It has also revealed the vulnerability of businesses. In effect, it has exposed the economic fault-lines and inequalities at the microeconomic level. It has also adversely impacted economic growth and many economic sectors. More precisely, COVID-19 has contracted economic growth and decimated economic sectors such as the tourism, hospitality, aviation, and travel industries.

Global pandemics have occurred with irregular frequency in the long history of humanity. COVID-19 was the most cataclysmic event of our collective lifetimes. It permeated shock and awe around the world. The pandemic unleashed a series of adverse economic consequences that triggered negative economic growth and massive unemployment.

COVID-19 spread like wildfire to every country in the world and impacted adversely upon national economies and civil society. What is unique to the coronavirus pandemic is that it occurred during the Age of Internetization. There is no denying that COVID-19 has underlined and magnified the extent to which we have become dependent on internetization. In effect, COVID-19 has revealed our dependence on electronic connectivity, the central role of digital infrastructure for our economy, the widening of the economic disparity between developed

and developing countries because of the digital divide and the moral dilemma between saving lives and saving livelihoods.

The World Bank has concluded that “the COVID-19 pandemic has, with alarming speed, delivered a global economic shock of enormous magnitude, leading to steep recessions in many countries. The baseline forecast envisions a 5.2 % contraction in global GDP in 2020 – the deepest global recession in eight decades, despite unprecedented policy support. Per capita incomes in the vast majority of emerging market and developing economies are expected to shrink this year, tipping many millions back into poverty (World Bank, 2020, p. 3).”

### **Global context**

COVID-19 has revealed the extent to which national borders are no match for globalization. The recent global pandemic has marginalized the efficacy of national borders. The modern border is porous, malleable, and surmountable. It is not an effective deterrent for undesirable political, social, medical, or economic consequences. Our past has lulled us into a false sense of comfort and security behind our national borders. This is no longer a realistic or pragmatic assumption. The old days when borders served as a deterrent from entry from any kind of foreign intrusion are behind us. Today’s borders are purely symbolic and simply serve as a geographical marker.

Advances in digital technologies have transformed traditional geographical entities to virtual economic communities. Innovations in transportation and communications technology have enhanced all forms of human mobility. Borders have melted in the presence of digital connectivity. In effect, cyberspace has no natural or geographical demarcations. Indeed, knowledge-based products and services cross borders without impediment and with relative ease.

Contemporary governance has been subjected to global forces unlike any precedent time in human history. It has become abundantly clear that governance can no longer be confined within national parameters. The domestic insularity of governance is no longer practical or relevant for the 21<sup>st</sup> century. In consequence, the internationalization of governance necessitates a global mindset, a worldly awareness, an inter-cultural cognizance, and an international engagement.

Internetization has resulted in a diminished national autonomy. Indeed, the dividing line between the national context and the international linkages is blurred at best and fluid on most issues. This does not negate the need for domestic governance institutions and policies. But simply recognizes that their capacity to respond to international events can be constrained. COVID-19 has revealed that global interdependence is the wave of the future.

One of the lessons of the coronavirus pandemic is that global interdependence is a fact of life in the 21<sup>st</sup> century. An integrated and porous global environment exposes a country’s national governance architecture to new vulnerabilities and external shocks. At the end of the day, the internationalization of the governance architecture, its accompanying machinery of governance and the scope and substance of its public policies is a prerequisite for modernizing the mission and mandate of governance. In addition, the redesign of governance

should facilitate an effective global outreach and protect a country's national institutions of governance from external shocks and digital vulnerabilities.

It has become abundantly clear that the challenges facing humanity in the 21<sup>st</sup> century are global in scope and substance. These challenges include economic, political, social, and environmental. National policies to combat these challenges are unlikely to produce favourable outcomes. In consequence, a collaborative multilateral approach which is supported by global institutions and a global mindset are required to achieve a modern efficacy in the conduct of public policy.

### **Age of internetization**

Internetization is a new word and concept that I have coined to describe the electronic empowerment of the 21<sup>st</sup> century. COVID-19 has forced us to acknowledge the extent to which technological change has impacted our individual and collective lives at every level and in numerous dimensions. Internetization includes global linkages and extends them by simultaneously embracing electronic connectivity and the empowerment of the Internet.

Internetization has redefined the economic landscape and reformatted social connectivity. In effect, internetization has made time and geography irrelevant. Furthermore, the Internet has triggered an age of individual and collective empowerment that is unprecedented in the history of civilization. It provides individuals, institutions, civil society, businesses, and governments with a tremendous global connectivity, influence, and outreach (Passaris, 2019).

COVID-19 has underlined how dependent we have become on internetization in the 21<sup>st</sup> century. During the pandemic, internetization kept our world functioning albeit at a slower pace and with a different modus operandi. The pandemic forced individuals and civil society to retreat and retrench in their homes and personal spaces. As the world enforced self-isolation and lockdowns, internetization served as our direct connection outside of our secure bubble. In effect, internetization became our window on the world and redefined the parameters of our economic, social, and political interaction.

Furthermore, internetization served as a convenient medium for transporting our work and our office to our homes. It enabled schooling our children from home and we resorted to social media to connect with our friends and relatives. Internetization was our enabler for celebrating our birthdays, holding weddings, and conducting funerals online. We attended religious services online, shopped and sold products and services online, received our newsfeeds online and completed our banking online. We even readjusted our patterns of entertainment by attending the symphony online and watching our favourite sports on our computer screens.

In effect, self-isolation and the pandemic lockdowns have forced us to come to grips with our digital existence. Our national economies and civil society are now defined by their online capacity and empowerment. Computers and electronic connectivity have become an essential and necessary enabler for our contemporary existence. All in all, it has been a revolutionary change to our lifestyle, daily routine, and our contemporary pattern of our human existence.

In short, the advent of the Age of Internetization is a mirror that we are living through one of the most momentous economic and social revolutions of all time. An economic and social

revolution of unprecedented magnitude that is empowered by technological change. There is no denying that internetization has been a catalyst for transformational change with a profound and indelible impact.

### **Moral dilemma**

The advent of COVID-19 revealed a novel public policy dilemma with moral and philosophical implications. Governance was confronted with a trade-off between being informed by science or sustaining the economy. In this regard, public policy faced the binary microeconomic choice between saving lives or saving livelihoods. This governance dilemma set all countries on a collision course between science and the economy.

The issue is whether public policy should be grounded in scientific evidence and take a cautionary approach or resolutely prop up the economy. In the absence of our collective experience in dealing with the COVID-19 virus, science favoured a tempered approach that was evidentiary and cautionary. On the other hand, businesses were confronted with financial insolvency due to a disparity between increasing costs and declining revenues.

COVID-19 revealed a schism between the conduct of science and the operation of the economy. In effect, science and business are not mutually compatible. Science is methodical, fact based and contemplative. On the other hand, business is impulsive, opportunist and a risk-taker. Advancing on independent and parallel tracks, science and business can flourish on their own. The game changer was the advent of COVID-19 which forced science and business to collide.

More precisely, the purpose of science, during the coronavirus tsunami was to save lives. However, in that same context the natural inclination of business was to make money. Furthermore, in the pursuit of profits, businesses are prepared to take calculated risks. In effect, the wild card in this divergent decision-making process is the element of risk. Science is used to making evidence-based decisions, while businesses are by nature risk takers and are prepared to underwrite a portion of loss based on risk taking.

In confronting this moral dilemma, the element of risk is not limited to a financial loss but a more formidable penalty which is an increase in the death toll. In other words, what is at stake, is a balancing act between risking lives or risking livelihoods. In this regard, the stakes are high, and the consequences are uneven. In consequence, governments have a profound role to play in exercising due diligence and serving as a referee between evidentiary science and economic efficacy. This requires taking the advice of medical experts and epidemiologists regarding the different phases and timing for the operational scope of the economy. The end game should always be that human lives matter, and the safety and well-being of a country's citizens is paramount.

The role of government has been profound during COVID-19. The reason being that no other institution had the authority or the fiscal capacity to intervene on such a massive scale. The global pandemic underlined the positive role of government during a time of crisis and revealed the contemporary efficacy of Keynesian macroeconomic policies. The macroeconomic public policy options have been articulated by McKibbin and Roshen in this manner: "A range of policy responses will be required both in the short term as well as in the coming years. In the short term, central banks and Treasuries need to make sure that

disrupted economies continue to function while the disease outbreak continues. In the face of real and financial stress, there is a critical role for governments.... The longer-term responses are even more important. Despite the potential loss of life and the possible large-scale disruption to a large number of people, many governments have been reluctant to invest sufficiently in their health care systems, let alone public health systems in less developed countries where many infectious diseases are likely to originate .... The idea that any country can be an island in an integrated global economy is proven wrong by the latest outbreak of COVID-19. Global cooperation, especially in the sphere of public health and economic development, is essential” (McKibbin and Roshen, 2020, p. 25).

### **Economic assymetry**

The economic severity and worldwide impact of COVID-19 is better understood in the context of a comparison between developed and developing countries. Indeed, the global pandemic has revealed a macroeconomic inconvenient truth. It has widened the economic disparity between developed and developing countries. In effect, the economic impact and financial consequences of COVID-19 on a global scale have been uneven and asymmetric. This disparity has been magnified because of the lack of digital technology and electronic capacity in developing countries.

The role of internetization in our contemporary economic and social existence is most vividly displayed when we compare the empowering role of electronic connectivity between developed and developing countries. In the 21<sup>st</sup> century, developed countries focused their investment priorities on digital infrastructure and electronic capacity. In contrast, developing countries have lagged on both counts.

A global comparative assessment reveals that despite the adverse economic consequences inflicted by the coronavirus pandemic, citizens of developed countries had recourse to a financial support system and a social safety net that is non-existent in developing countries. More specifically, during the COVID-19 pandemic, only developed countries were able to rely on a well-oiled machinery of economic governance, a national financial structure to support their citizens and businesses and a robust health care system. These were luxuries that were not available to the citizens of the developing world who number more than 6.5 billion people or 85 % of the world's population.

One of the stark comparisons between developed and developing countries appeared during the gradual removal of social confinement. The process of re-opening national economies around the world after a period of extreme economic and social lockdowns created unique asymmetric challenges. Developed countries implemented a cautious re-opening of their economies taking their cue from a declining trend in coronavirus infections. Developing economies faced a different set of realities and challenges. A prolonged lockdown for developing countries brought to the fore a binary choice between saving lives and protecting livelihoods.

Due to their weak social safety net, food insecurity, inadequate governance framework, developing countries concluded that many more people would die from hunger than from the virus. In consequence, they were prepared to gamble with a surge in infections because of a quick reopening. Policymakers in developing countries concluded that a prolonged lockdown

would cause more long-term financial harm and result in mass starvation than reopening their economies immediately.

Furthermore, governments in developing countries did not have an effective outreach in the form of electronic connectivity to a large segment of the population. In this case, the lack of a social media presence and the absence of an electronic network inflicted an additional penalty for developing countries. The advent of the COVID-19 pandemic has underlined the importance of electronic public education and the dissemination of instantaneous public advisories during a time of crisis. In short, the marginalized portion of the workforce was forced to bear the brunt of a disproportionate adverse financial impact because of a prolonged economic lockdown.

For many marginalized citizens in developing countries, the harsh and immediate measures of a comprehensive lockdown felt like an economic ambush with respect to their economic livelihoods. It also revealed a deep internal fissure in their respective societies between those who had the financial means to sustain themselves during the lockdown and those who did not. Furthermore, the lack of digital infrastructure and electronic capacity in developing countries prevented their citizens from working from home. In addition, COVID-19 caused the closure of international borders resulting in the decimation of the tourism and hospitality industries in developing countries.

### **Digital divide**

At the turn of the millennium, the digital revolution revealed a novel form of economic disparity between developed and developing countries. While most developed countries had a seamless transition to the digital and knowledge economy, that was not the case for developing countries. The reason being the more pronounced barriers for developing countries in creating a digital ecosystem composed of an electronic network, Internet access and a digital infrastructure.

The digital divide is a demonstrative expression of the marginalization of developing countries from the electronic resources and economic benefits of internetization. It reveals a significant impediment and a perpetuation of the vicious cycle of underdevelopment from an economic and social perspective for developing countries. Castells concluded that “Information technology, and the ability to use it and adapt it, is the critical factor in generating and accessing wealth, power, and knowledge in our time” (Castells, 1998, p. 92).

COVID-19 has spotlighted the foundational role of internetization as an enabler of economic growth and development. Internetization is the most potent modern tool for empowering developing countries to establish global virtual markets, enhance productivity, create economic opportunities, and contribute to the formation of human capital. In consequence, I am proposing a new economic development model that has internetization as a core enabler for the purpose of bridging the economic disparity between developed and developing countries.

It should be noted that internetization has shifted the emphasis for the wealth of nations from the resources under our feet to the resources between our ears. In effect, the creation of human capital within a country’s population is the modern trajectory towards attaining economic growth for developing countries. In short, internetization has the potential to

become the great equalizer between developed and developing countries in the modern circumstances. Indeed, COVID-19 has forced us to recognize that electronic connectivity has become an essential economic enabler for the 21<sup>st</sup> century.

As COVID-19 spread around the world, it has exposed our collective weaknesses, fault lines and vulnerabilities on the economic landscape. If COVID-19 is present somewhere, it is a potential threat everywhere. Our effective global response to COVID-19 should reflect that a global society is only as strong as its weakest link. In consequence, addressing the digital divide has become an urgent imperative.

### **Human capital**

COVID-19 had a direct and profound impact on education. Around the world, schools, colleges, and universities were closed and students and teachers were sent home. Internetization emerged as the default medium for transforming school and university-based pedagogy to online learning. Despite the significant empowering capacity of digital education for developed countries, internetization has also confirmed the disparity in digital capacity for developing countries.

One of the foundational postulates of the new global economy of the 21<sup>st</sup> century is the paramount role of education and the creation of human capital. Human capital has been elevated to an iconic role in the creation of the wealth of nations. The new economy of the 21<sup>st</sup> century has transformed the desired educational outcomes and required skill set from the foundational 3Rs of reading, writing and arithmetic to a more complex and integrated skill set and competencies. The modern array of desired educational outcomes includes scientific, technological and financial literacy, global and cultural awareness, leadership and entrepreneurial skills, social and civic responsibility, creativity, critical thinking, problem solving, communication and collaboration (World Economic Forum, 2020).

COVID-19 proved to be a stress test for the world-wide education system. It revealed that the digital divide had become a herculean educational barrier for developing countries. The vast majority of countries around the world closed their educational institutions to contain the spread of the coronavirus pandemic. More than one billion students were affected world-wide. In consequence, students were forced to stay at home and wherever feasible classes continued with teaching and learning moving online. In this scenario digital technology emerged as the foundational tool to support remote learning.

The paramount role of electronic education was ascertained during COVID-19. In effect, one of the more glaring disparities between developed and developing countries was reflected in the delivery of education. Developed countries were able to initiate a seamless transition to online learning and students did not miss out on their school year and timely graduations.

On the other hand, developing countries had no operational alternative but to shut down their schools and universities until further notice. That is because developing countries did not have the option of defaulting to online education. Harnessing electronic connectivity and the Internet infrastructure for schooling was not an option. In consequence, most of the students in developing countries lost at least one year of their schooling. One of the lessons learnt from this experience was that a modern digital infrastructure and electronic connectivity has

become an essential prerequisite for developing countries with respect to ensuring educational capacity.

The most pronounced and pervasive manifestation of the digital divide is evident on the educational landscape. Developed countries have taken advantage of the educational empowerment of digital technology and integrated it effectively for the benefit of their students and teachers. These were luxuries that were not available to teachers and students in the developing world. In consequence, developing countries should prioritize investing in building and nurturing their digital infrastructure and electronic capacity. The internetization of education in developing countries has the potential to enhance accessibility to educational platforms, improve the efficacy of educational outcomes and nurture the creation of human capital. Consequently, it can serve as a catalyst for bridging the gap of economic opportunity and national prosperity between developed and developing countries.

## **Conclusion**

In the Chinese language, the word for crisis is composed of two characters. One denotes danger and the other opportunity. This is the context for an examination of the economic impact of COVID-19. There is no denying that the coronavirus pandemic generated an adverse economic tsunami around the world. But it can also be perceived as a new opportunity and an operational turning point for bridging the economic disparity between developed and developing countries. In effect, the COVID-19 economic crisis opens the door to reshape and restructure the economic landscape so that it can better serve humanity worldwide.

COVID-19 has reminded us that we are living through one of the most momentous economic revolutions of all time. An economic revolution of unprecedented magnitude. The digital revolution has spawned the operational axiom of internetization which has become a foundational postulate of the new global economy of the 21<sup>st</sup> century. Indeed, internetization has morphed into a modern catalyst for transformational change with a profound and indelible impact.

The global pandemic has underlined the fault lines and asymmetric impact of COVID-19 on developed and developing countries. It has exposed a moral trade-off between saving lives and protecting livelihoods. COVID-19 has also highlighted the disparity in economic opportunity and economic performance between developed and developing countries. In effect, internetization has magnified the economic disparity between developed and developing countries due to the lack of technological infrastructure and digital capacity in developing countries.

At the end of the day, COVID-19 has delineated several new opportunities for bridging the gap of economic disparity between developed and developing nations. Digital education and online learning have the potential to serve as a catalyst for developing countries by empowering them to create the human capital that is essential for their economic advancement in the 21<sup>st</sup> century. Furthermore, a new economic development model for developing countries that is enabled by internetization can forge a new path forward for enhancing the economic potential of developing countries in the context of the challenges and opportunities associated with the 21<sup>st</sup> century.

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**Author contact:** [passaris@unb.ca](mailto:passaris@unb.ca)

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