

Economic slowdown of global world due to Covid-19 & Its Impact on Indian economy - In reference to the great depression of 1929

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Abstract: In the beginning of 2020 a word which has horrified the whole world i.e. 'covid19'(Corona pandemic as declared by W.H.O.) In 2020 many developed countries most of them are from Europe(U.K., France, Italy ,Germany ,Spain etc even U.S.A. are proved to be no more super power or super powers in the world . These economies are handicapped due to this pandemic. Thousands of people are dying every day all over the world and majority of them are from these developed economies. This corona virus which had taken the birth from Wuhan city in china has spread all over the world. Recently china has controlled on this pandemics and emerged as one of the strongest super power before USA.

India is also one of the victims of this disease. I assume that after the mid of 2020 India would be able to control on this pandemic not fully but with majority. The lockdown of global world approximate about three months on an average has hampered the whole world and India is also not untouched to this. In this paper I will discuss the impact of covid19 on Indian economy & how Indian economy can protect itself or least affected by not repeating the history of great depression(1929) .What possibilities are there with Indian economy to emerge as a champion under this circumstance and become a great power in the world.

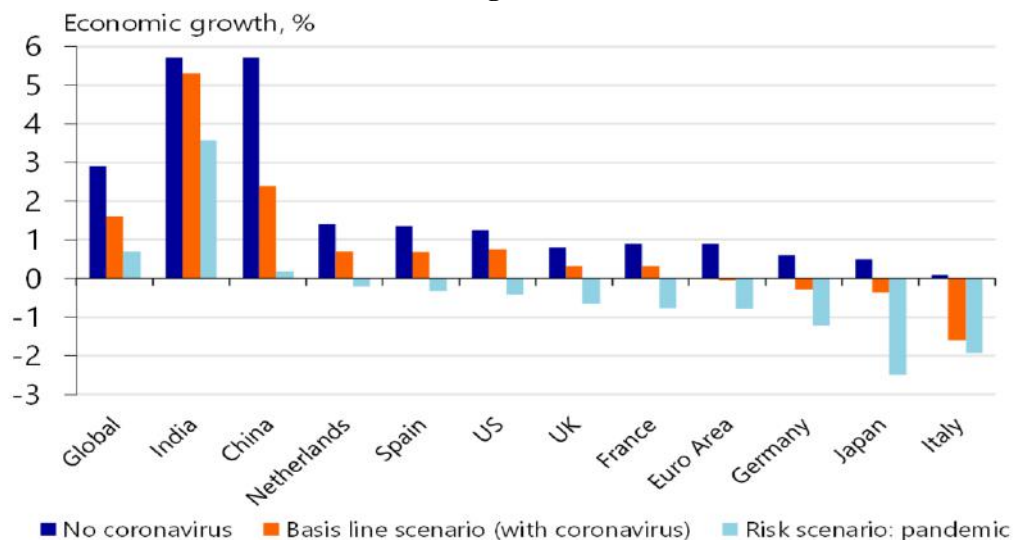
Key words: Covid-19, Indian Economy, Pandemics, Great depression .

1. INTRODUCTION:

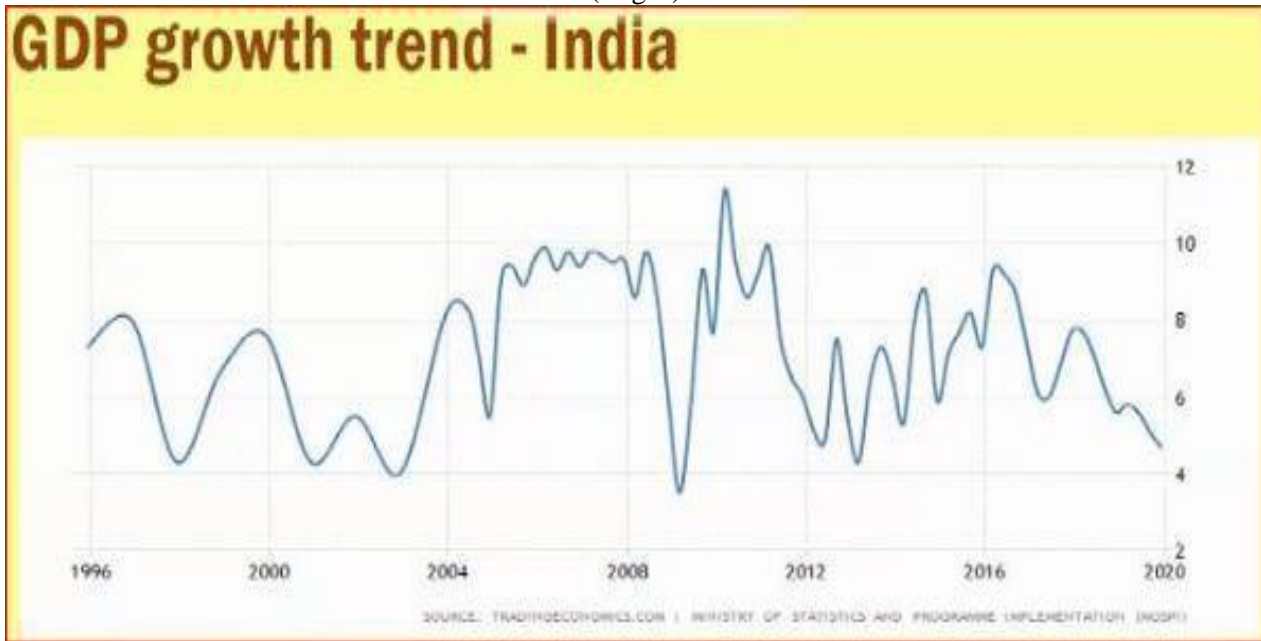
In this 2020 the whole world is facing that problem which they never experienced in their life where as other such viruses also emerged earlier but they affected only a small group of people or spread only in one region. Covid19 has been declared as pandemic by W.H.O.. There is no medicine has been discovered so far by medical research all over the world and countries are claiming but they are not 100% sure about this. So we are living in that era where one virus is dominating in whole world and whole world is handicapped in front of that. All the economies of the world has declared partially lockdown or full lockdown. Lockdown means no business, no transport, no economic activity ,no export -import. We are living in the era of globalised world, where one economy is affected by what is happening in other part of the world.

Since 2014 Indian economy was growing at a steady pace of 6 to 8 percent (Fig-ii) during last six year. Now in the first quarter of 2020 it was expected that India will grow at less than 5 percent , but after Covid-19 pandemic when all the economies of the world collapsed except of China and it is predicted that Indian economy will grow about 2.5 percent which will help them to recover this phase at a slow rate when other developed economies are facing a negative trend in their growth rates (Fig-i).

Fig.1



(Fig-ii)



Between these years its growth sometimes trembled due to many reasons may be introduction of demonetization or GST regime . Now with the lockdown extension India's growth story is becoming worse than before as suggested by economists, which Indian economy never experienced since 1929 or in 2008 .Since Independence India has built up its strong infrastructure economic as well as social. India emerging as one of the strong emerging economies of the world and beginning of new regime in Asia. According to economists when Indian economy is increasing at a 2 to 3 percent is a good deal during this pandemic phase, when other economies of the world are struggling. We at least expect that this scenario will change by this rate and India will recover at fast than other nations of the world.

2. History Repeats:

The worldwide global recession that began in 1929 lasted about 10 years since then ,its impact was more experienced in USA & other industrialized world. As it was originated in America but the longest -lasting downturn was observed into other corners of the world. In the United States, the Great Depression began soon after the stock market crash of October 1929, which sent Wall Street into a panic and wiped out millions of investors. Over the next many years, consumer spending and investment was totally dropped, causing steep declines in industrial output and increasing levels of unemployment as failing companies laid off workers. By 1933, when the Great Depression reached its nadir(low point), some 13 to 15 million Americans were unemployed and nearly half of the country's banks had failed. Though the relief and reform measures put into place by President Franklin D. Roosevelt helped in wiping off the worst effects of the Great Depression in the 1930s, the economy would not fully turn around until after 1939, when World War II kicked American industry again into the high gear.

The following were the main reasons for the global recession of 1929

- Stock Market Crash - Many people believed that the crash of stock market on Black Tuesday ,29 October 1929 was the major reason that cause the great depression of 1929. Stockholders alone in United States lost about \$ 40 billion within two months.
- Failures of banks - In the year 1930 about more than 9000 banks were failed and money deposited into banks was uninsured so people lost their savings too.
- Reduction in purchasing power of people - With the stock market crash & the fears of further economic woes, consumer from all classes stopped purchasing items .This then led to a reduction in the number of items produced and thus led to unemployment. As people lost their jobs, they were unable to keep up with paying for items which they had bought.
- High taxes to control import- In order to protect domestic industries United states started high tariff duties in order to protect their domestic industries .As a result many countries adopted the same policy and ultimately this resulted in less trade with foreign countries.

Figure (iii)

| Dates of the Great Depression in Various Countries (In Quarters) | | |
|---|------------------|----------------|
| Country | Depression Began | Recovery Began |
| United States | 1929:3 | 1933:2 |
| Great Britain | 1930:1 | 1932:4 |
| Germany | 1928:1 | 1932:3 |
| France | 1930:2 | 1932:3 |
| Canada | 1929:2 | 1933:2 |
| Switzerland | 1929:4 | 1933:1 |
| Czechoslovakia | 1929:4 | 1933:2 |
| Italy | 1929:3 | 1933:1 |
| Belgium | 1929:3 | 1932:4 |
| Netherlands | 1929:4 | 1933:2 |
| Sweden | 1930:2 | 1932:3 |
| Denmark | 1930:4 | 1933:2 |
| Poland | 1929:1 | 1933:2 |
| Argentina | 1929:2 | 1932:1 |
| Brazil | 1928:3 | 1931:4 |
| Japan | 1930:1 | 1932:3 |
| India | 1929:4 | 1931:4 |
| South Africa | 1930:1 | 1933:1 |

Source: Encyclopaedia Britannica , Christina D. Romer , December 20, 2003

The great depression persist about 10 years from 1929 in United States but in other countries (Fig-iii) its impact was somewhat less than compared to USA. In India its impact was less as compared to other Industrialized countries. India was only affected due to Great Britain as it was a prompt colony for them and they use it for raw material and finished products and depression had closed way for exports as a result decline in demand .

3. Impact of Covid-19:

The impact of covid-19 will not remain same on all the sectors of the economy. For few industries it work as impetus and for others it act as black swan which has wiped out all profits in few days (Fig- iv). In this section we will discuss the impact of covid-19 on different industries.

Figure (iii)
Industry wise Impact of covid-19

| Low | Medium | High |
|---|--|---|
| <ul style="list-style-type: none"> • Education • FMCG • Telecom • Healthcare • IT & ITES | <ul style="list-style-type: none"> • Automobile & auto components • Real estate & Construction • Pharmaceuticals • Banking • Electronics & Consumer durables • Consulting • Agriculture | <ul style="list-style-type: none"> • Automobile dealership • Aviation • Tourism & Hospitality • Retail & Multiplex • Logistic & Shipping • Sea food & poultry • NBFCs & Microfinance |

The impact of COVID-19 is relatively mild in Indian Industries as it arrived in India delayed. The economic impact on India is four pronged:

- Disruption in supply- A good number of MSME are dependent on china for raw material and this situation will lead to make inputs somewhat costly. This situation will improve once china will resume production.
- Demand destruction- spending will reduce to the assumption of loss of jobs in informal sectors and also export to USA ,& Europe may take a hit.
- Stress on financial sector- Bank are the major lender to MSME & retailers .Stress in this sector may hit the production chain. Job loss may worsen the situation of retailers.
- Drop in crude oil prices - fall in prices of crude oil may take a positive note for India , It will help in balancing our BOP. Although it has limited the demand in automobile sector.

In my view the impact of Covid-19 will be much more in civil aviation industry, Hospitality & automobile industry. One thing is very much clear that after the effect of Covid -19 people will not prefer journeys or going for vacations immediately. They have to wait for some good amount of time. Automobile industry have to wait more or they can go for joint ventures . like Maruti industry also started manufacturing ventilators too. IT sector ,Health sector and Education sector will have positive impact and in this sector government can think for more investment .The (fig-iv) will help us in understanding the impact of covid-19 on different industries

(Fig-iv)



4. Lesson to be taken by India from 1929 depression

Although the depression of this time is different from the depression of 1930. The depression of 1930 was due to crash of stock exchange and failure of banks and its effect was limited towards the United States and European Nations. Whereas the impact of covid-19 was spread all over the world and more than 200 countries are affected so far. Now in view of the current situation and keeping in mind the great depression the Indian government should take few steps in order to control the ill affect of covid-19:

- Change in Export and Import Policy
- Change in FDI policy
- SEBI role in controlling stock market with change of time will be more vital.
- Financial Assistance for small and cottage Industries
- Financial assistance for poor labourers (inclusion of agriculture, marginal & industrial labourers)
- Prefer for work from home culture where there is possibility to continue.
- Construction work should be permitted beyond a limit with condition that builders will take care of food, shelter, & health facility for labourers.
- Banking sector should play a vital role so RBI should frame policy for covid19 on fortnightly basis apart from long term policy.
- Bank is now the important segment of the economy during this lockdown period .Government should adopt such policy through which they can provide the financial assistance to the needy one.
- Education should be encouraged through online mode during lockdown period.

5. CONCLUSION:

In the wake of covid-19 when all the economies are on high alert, where no one has ever observed such a experience throughout their life. where business man is not sure how long he will compete , where government is not sure how long they can fight with this disease, where NGO,s are not sure how long they can provide the food to the needy. A common man is looking towards God and pray how long it will take to make things alright, when this weather of uncertainty will go. when the economy will come again on track. Although government is doing great job by pumping more money to various sectors and industries but there is a limitation from government side too as its resources are limited to take care of each strata and segment of the economy. In my view everyone has to understand the situation and act accordingly. Otherwise it will be difficult for the economies to survive in this period of slowdown.

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Author is presently working as Assistant Professor of Economics and he has more than 20 Years of teaching experience, out of which more than 9 years of teaching experience in University System. He has written many national and International level of research papers and author is also associated with legal aid of the department which is working for the needy one.