

The Main Issues and Countermeasures Facing the Global Economy after the Relaxation of Epidemic Control Policies

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Abstract: Due to the COVID-19 epidemic, many countries have taken a number of epidemic prevention and control measures, which have had a huge impact on the global economy. This paper studies the major issues facing the global economy after the relaxation of epidemic control policies, such as economic recession, inflation, debt crisis and energy crisis, and countermeasures. In this paper, corresponding countermeasures are proposed to address economic recession, including increasing government spending, reducing taxes, lowering interest rates, and increasing the money supply and to address the inflation, including reducing government spending, increasing taxes, raising interest rates, and reducing the money supply. In response to the debt crisis, corresponding countermeasures have been proposed from the aspects of strengthening government supervision, adjusting government expenditures, tax rates, interest rates, and money supply. In the light of the energy crisis, this paper puts forward corresponding countermeasures from aspects of improving energy utilization efficiency, reducing energy consumption, developing green energy that can replace traditional energy, and strengthening the supervision of the energy market.

Keywords: inflation, fiscal policy, monetary policy

1. Introduction

Corona Virus Disease 2019 (COVID-19) spreads fast through respiratory tract, droplets, aerosols and other channels. The pathogen transmission is very wide and highly infectious. On March 11, 2020, the World Health Organization declared the COVID-19 as a global epidemic [1]. As of April 14, 2021, there are more than 138.8 million COVID-19 cases worldwide [2]. COVID-19 is the third epidemic that has hit the world [3]. The outbreak of COVID-19 has had a serious impact on the global economy and almost involves all sectors, all industries and all professions. Due to the epidemic, some countries have closed their borders and even some seaports, controlled transportation, and prohibited ships from entering and berthing. The supply chain and international trade are the first to be affected in the economy. Workers and goods could not be transported normally, factories and enterprises stopped production or delayed construction, and the supply chain was interrupted due to the shortage of materials in the market, which increased the risk of global supply chain management. This not only affects trade in goods, but also affects international labor export and international shipping and other service trade, both showing a significant decline.

It is not only the supply chain and international trade that are affected by the COVID-19, but also the tourism and catering industry, which has an important impact on GDP and employment [4]. The

unexpected arrival of COVID-19 has greatly affected the global tourism industry [5] and the world tourism industry is facing huge challenges. Due to the strict entry and exit restrictions implemented by many countries and regions, the number of tourists has significantly decreased, and the income of tourism enterprises has significantly declined. Many tourism enterprises have been forced to close due to the recession of the tourism industry. The global catering industry was also hit hard during the epidemic. During the outbreak of the epidemic, most catering enterprises are unable to operate normally, and a large number of catering enterprises have tight cash flow, resulting in a sharp decrease in operating income or even losses. Many catering enterprises have been forced to close due to serious losses.

The COVID-19 has spread to more than 100 countries [6]. With the spread of the pandemic, the global economy has suffered huge losses, especially in the financial market [7]. The risk brought by the outbreak of epidemic makes the financial market fluctuate violently. Influenced by the fear of pandemic, the global stock market plummeted. The fear of pandemic is not just affecting the stock market, the foreign exchange market is also affected by the fear of pandemic, and there are abnormal fluctuations. The risk of pandemic involves all aspects of the global financial market.

Any epidemic will have multiple impacts on the world, and its impact will last for a long time [8]. Although the epidemic control policy has been relaxed, the impact of the epidemic on the economy still exists. This paper studies the major issues facing the global economy after the relaxation of epidemic control policies, such as economic recession, inflation, debt crisis and energy crisis, and puts forward corresponding countermeasures. Addressing these major issues facing the global economy after the relaxation of epidemic control policies is of great significance for gradually moving the world economy towards recovery.

2. Major Issues Facing the World Economy After the Relaxation of Epidemic Control Measures

Since the outbreak of COVID-19, the world has been actively developing COVID-19 vaccine, and some countries have developed COVID-19 vaccines in less than a year. Countries around the world have launched various vaccination measures against COVID-19 to improve the vaccination rate of COVID-19. At present, countries around the world have relaxed the control of the epidemic, and have canceled entry restrictions. The World Health Organization has also announced that the COVID-19 epidemic no longer constitutes a public health emergency of international concern. At present, there is an urgent need to promote the rapid recovery of the world economy. Before discussing this issue, first analyze the main issues facing the current world economy.

2.1. Economic Recession

The Aggregate Demand-Aggregate Supply model (AS-AD model) explains the economic recession caused by COVID-19. Under the impact of the epidemic, many enterprises laid off a large number of employees, resulting in many people losing their jobs. Without jobs, there would be no income. At this time, consumption would be reduced, which would move the total demand curve to the left. At the same time, due to the extremely strong infectivity of COVID-19, many enterprises that do not involve the lives of residents are temporarily closed or unable to operate, making the aggregate supply curve move to the left. Both the total demand curve and the aggregate supply curve moved to the left, and the gross national product declined, leading to economic recession. Although epidemic control has been relaxed, the profound impact of the epidemic on the global economy still exists, and the global economy is still facing recession.

2.2. Inflation and Debt Crisis

In the early stages of the epidemic, many economic activities stagnated, and people's consumption and investment decreased, resulting in a decrease in commodity prices and a decrease in inflation. With the relaxation of epidemic control, market purchasing power and consumer demand continue to increase, and competition in the market is becoming increasingly fierce, leading to an increase in prices. After the relaxation of epidemic control, consumption in the service industry has increased, pushing up the price level of the service industry. At the same time, after the relaxation of epidemic control, the recovery rate of supply was slower than that of demand, which also pushed up prices and triggered inflation. The most common method of measuring overall price levels is the Consumer Price Index (CPI), where inflation is the rate of increase or decrease in price levels. In December 2021, the CPI index reached 7%, the highest level in over 40 years [9]. Inflation will lead to economic distortion and uncertainty, reduce savings and capital accumulation, and thus suppress growth and development [10].

The COVID-19 broke out worldwide, causing a heavy blow to the world economy and shrinking the global economy as a whole. In order to quickly recover the economy, various countries have adopted fiscal policies and subsidy measures to stimulate the economy, resulting in a significant increase in fiscal deficits. In order to fill the fiscal gap, governments around the world issued bonds on a large scale, pushing up debt levels and significantly increasing the total global debt. Due to the heavy debt burden and insufficient solvency, the number and amount of countries defaulting on sovereign debt have significantly increased, leading to a significant increase in sovereign debt risk and a debt crisis.

2.3. Energy Crisis

The COVID-19 has had a huge impact on the global energy market. Although many countries have introduced policies to stimulate the economy, it is still difficult to prevent the global economic recession, which also makes the energy market full of uncertainty after the deregulation of epidemic control. Before the deregulation of epidemic control, the demand for oil in industries such as tourism, transportation, and aviation significantly decreased, resulting in oversupply in the energy market and a sharp drop in oil prices. With the relaxation of epidemic control, energy demand has increased, and the global energy market is facing supply pressure, highlighting the problem of energy shortage. Compared to not relaxing the pandemic control, the global demand for natural gas has increased, and the global natural gas price has risen significantly. The sharp rise in natural gas prices is caused by extreme weather, economic recovery and other factors. The sharp rise in natural gas prices will aggravate global inflation and affect economic recovery.

3. Corresponding Measures to Address the Main Issues Facing the Current World Economy

Although the COVID-19 epidemic no longer constitutes a public health emergency of international concern, the impact of the epidemic on the economy is multifaceted. The epidemic affects not only some countries and regions, but also the whole world. The epidemic affects all aspects of the economy. The coronavirus caused the world economy to stop, all industries were in trouble, manufacturing and service industries were greatly affected, market demand and enterprise production capacity were significantly reduced, a large number of enterprises closed down, and the unemployment rate increased significantly. In view of this, countries around the world have adopted extremely loose fiscal and monetary policies to cope with market recession and promote global economic recovery, but this has also brought negative effects such as inflation. The following will propose corresponding countermeasures to address the main issues facing the current world economy.

3.1. Countermeasures to Cope with Economic Recession

Inflation and economic recession are a pair of contradictions. How to deal with high inflation, control the overall level and expectations of inflation, maintain economic stability and development, while not exacerbating economic recession, and how to reduce the inflation rate without exacerbating economic recession is a very important issue. In the process of reducing inflation and resolving economic recession, the government and central bank should comprehensively consider various factors, take appropriate measures to balance the relationship between inflation and economic recession, and achieve price stability and economic development.

In terms of fiscal policy, the government can increase expenditure and reduce taxes to increase market demand. Government expenditure includes government purchases and transfer payments. Government purchases directly increase market demand. Government transfer payments, such as cash subsidies provided by the government to enterprises and individuals, can increase consumption and thus increase market demand. Reducing taxes can reduce the tax burden on individuals and businesses, increase their income, promote consumption, and thus increase market demand. In terms of monetary policy, the central bank can increase the money supply by reducing the deposit reserve ratio, the rediscount rate and the interest rate, thus increasing the total social demand. A decrease in bank interest rates can increase investment, thereby stimulating consumption and increasing market demand.

3.2. Countermeasures against Inflation and Debt Crisis

The world has entered an era of high inflation, and people's income cannot keep up with the rise of prices. Excessive inflation will bring serious negative impacts, unstable impacts on social life, disruption of social order, and may also cause serious social unrest.

In terms of fiscal policy, the government can influence total demand by adjusting fiscal expenditures. The government can reduce spending and increase taxes to reduce market demand. While reducing market demand, control market supply through taxation and other means to suppress price increases.

In terms of monetary policy, the central bank can adjust the money supply by increasing the deposit reserve ratio and rediscount rate to affect the speed of money circulation in the economy; adjusting interest rates can affect investment and consumption decisions. When inflation is too high, the central bank can reduce the amount of money supply and the speed of money circulation and increase the interest rates to curb investment and consumption.

Due to the pandemic, countries around the world have adopted extremely loose monetary policies in response to economic recession. The negative impact of this extremely loose monetary policy is inflation risk, which has brought huge risks to the global financial market and exacerbated the risk of the global debt crisis. The government needs to strengthen financial supervision to ensure that it has sufficient funds to cope with the debt crisis. The government can respond to debt crises by adjusting fiscal policies such as increase tax rates and decrease expenditures, while the central bank can respond to debt crises by adjusting monetary policies such as increase the interest rates and decrease money supply.

3.3. Countermeasures against Energy Crisis

Energy is the foundation of economic development in various countries, and the production of various products requires a certain amount of energy. Energy is also the material foundation on which human society relies for survival and development. Transportation, catering, lighting, heating, cooling, and automated management systems all require energy to sustain them. The impact of the energy crisis on the economy is multifaceted. The shortage of energy supply makes the already strained supply

chain worse. To resolve the energy crisis, first, the market demand for energy can be reduced by improving energy utilization efficiency and reducing energy consumption.

The second is to develop green energy that can replace traditional energy. Green energy not only reduces energy consumption, but also reduces energy costs. Green energy includes solar energy, wind energy, and hydroenergy, and so on. Solar energy, wind energy and water energy are all renewable resource that will not pollute the environment. By using solar energy, wind energy and water energy, energy costs can be reduced. Solar energy is one of the most important green energy sources, which can be continuously utilized and consumes less energy than other sources. Therefore, solar energy is one of the most popular green energy sources. Wind energy can be used to produce electricity, and aerogenerator can convert wind energy into usable electricity. Water energy is the third type of green energy, and water power generators can convert the kinetic energy of water into usable electricity.

Third, the energy crisis can be responded by strengthening the supervision of the energy market. The supervision of energy production, supply, use and consumption should be strengthened. The supervision of energy production includes the supervision of the production process, production equipment and production environment of energy production enterprises; energy supply supervision includes the supervision of the supply quality, quantity, and supply of energy supply enterprises; energy use regulation includes the regulation of energy consumption, energy utilization efficiency, and energy conservation of energy using enterprises; Energy consumption regulation includes the regulation of energy consumers' consumption rights, consumption environment, and consumption safety. Energy regulation is an important measure to ensure energy supply, ensuring the safety and sustainability of energy supply, and promoting efficient energy utilization and conservation.

4. Conclusion

To sum up, through the impact of the COVID-19 on the supply chain, international trade, financial industry, tourism and catering industry, it can be seen that the impact of the epidemic on the economy is multifaceted. COVID-19 has severe negative impact on the global economy. In view of the impact of the epidemic on the global economy, the world economy is facing four major issues: economic recession, inflation, debt crisis and energy crisis. How to solve these four major issues is an urgent problem. This paper studies the main issues facing the current world economy and proposes corresponding countermeasures to address these four major issues. Regarding economic recession, this paper suggests adopting expansionary fiscal policies such as increasing government spending and reducing tax rates, as well as expansionary monetary policies that increase the money supply. Concerning inflation, this paper suggests adopting tightening fiscal policies such as reducing government spending and raising tax rates, as well as tightening monetary policies such as raising interest rates and reducing the money supply. With respect to the debt crisis, this paper suggests adopting tightening fiscal policies such as reducing government spending and raising tax rates, as well as tightening monetary policies such as raising interest rates and reducing money supply. As for the energy crisis, this paper proposes countermeasures to resolve the energy crisis from the three aspects: improving energy utilization efficiency, developing green energy such as solar energy, wind energy and water energy and strengthening energy market supervision. In response to these major issues facing the global economy, multiple measures are needed to promote rapid recovery of the world economy. Through these measures, the world economy will gradually move towards recovery.

This paper points that inflation and economic recession are a pair of contradictions, and appropriate measures should be taken to balance the relationship between inflation and economic recession, and to achieve price stability and economic development. This is also a problem that many countries are currently facing. It is important to solve how to combine fiscal and monetary policies to reduce inflation without exacerbating economic recession. Future research will focus on this aspect.

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