The economy will never be the same again – or will it?

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Introduction

Countries all over the world are dealing with the novel coronavirus epidemic, including the economic implications of COVID-19 - since 2019. The pandemic has brought with it, not only, a killing virus, but also a stand-still in people's routine daily lives; the need for social distancing; disrupted economic transactions; and anti-political movements against public policy.

All these changes will result in a new order of social behavior, and the objective of this paper is to respond to a question, *Things will never be the same - or will they*?

From a 'birds-eye' view perspective we can respond to the epidemic impact by looking at a major variant of society namely - political, economic, and social change. As is evidenced in the media, all variants are subject to change in one form or the other, not only locally, but also globally.

For example, a policy to close down the transportation system in one country, will stop a movement of goods and services, raw materials, labor and tourists, to other countries. This action will have a significant adverse effect on the national political, economic and social environment of both countries.

Therefore, it is useful to look at the pandemic's impact on, an economic variant, because it instantly and directly affects the people at large, and analyze whether the impact will result in things never being the same again – or will they?

An analysis

The analysis looked at 4 countries - Indonesia, Thailand, Vietnam and Singapore - as they are considered as having together, a significant share of ASEAN Gross Domestic Product (GDP). Whatever happened to these countries by way of impact, would have strong repercussions on other ASEAN member countries and the Region at large.

Three cases were analyzed, firstly, impact on GDP; secondly, public policy intervention; and finally - will the economy ever be the same again.

Impact on GDP

Table 1 (below) shows clear evidence that COVID-19 had caused a significant drop in the value of goods and services in the order of magnitude from Thailand, Singapore and Indonesia, with the exception of Vietnam that showed, in fact, a positive growth, but it could have achieved more than 10% growth rate without COVID-19 interference -

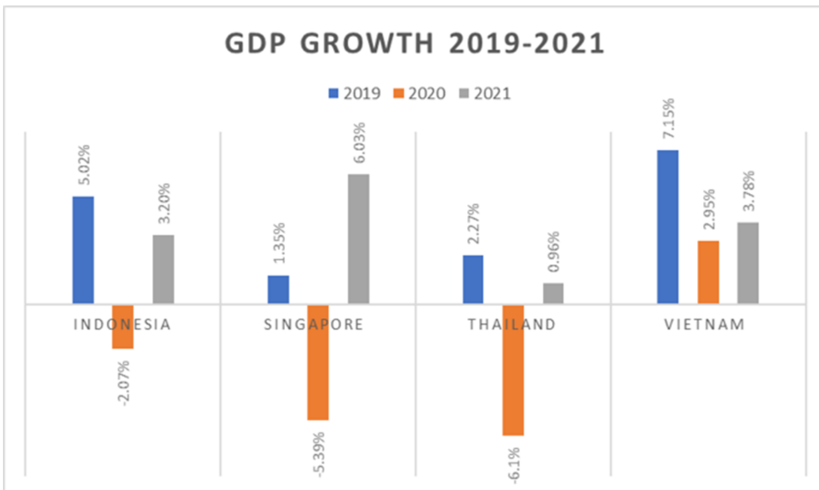

Table 1: GDP Growth during Epidemic period, 2019-21

Source: Yamungkoon, O, N. (2021), Comparison of Four ASEAN countries' GDP, (UBSS MBA)

As a result of this impact Singapore and Thailand had registered the biggest slowdown in their economy, followed by Indonesia, and then Vietnam - an opportunity loss. Singapore and Thailand share similar economic structures, with a heavy reliance on international trade with the sum of export and import value more than 100 percent of GDP.

Background of the Economy during COVID-19

COVID-19 has had a huge economic impact on Singapore and Thailand in particular. Those industries that rely on international travel - such as air transportation, lodging, and other tourism - related industries, have been the hardest hit. Domestic consumption has been cut back as a result of increasingly tougher social distance regulations, which has had a negative impact on consumer-onsite sectors such as retail and food services.

Outward-oriented industries such as manufacturing and wholesale commerce have been hit by a drop in external demand and supply chain disruptions, while domestically-oriented sectors - such as construction and real estate - have been hit by negative spillovers from the domestic economy.

However, with the surge in demand for online commerce and services, there are some bright spots in the economy (Saw, Lin, & Jie, 2020). 'Things will never be the same', as online comes into the Market.

Similar adverse impacts resulted in Indonesia and Vietnam from the perspective of reduced trading activities by social distancing measures and Work from Home policies.

But Indonesia is a big country with a large GDP, and a population with a large proportion still in the provinces, so the domestic market was able to better absorb the shock from COVID-19, better than Thailand and Singapore.

Vietnam, as a country, is well disciplined and this helped contain the spread of COVID-19 initially or at least in early 2020. In addition, Vietnam has an increasing consumer group given its industrialization with continuing direct foreign investment inflow, resulting in the continuity of its economic growth.

Public Policy

The coordination of fiscal and monetary policy is a necessary condition for macroeconomic stability and long-term economic growth (Chugunov, et al, 2021). Fiscal policy can be defined as the process, by which the government influences the economy through spending and taxation, with the primary goal of influencing the level and rate of growth of aggregate demand, employment, and output.

Monetary policy, on the other hand, covers the use of 'mean' with the goal of regulating the value, supply, and cost of money - in accordance with the desired level of economic activity. In order to mitigate the adverse effects of COVID-19 on employment and most importantly the national income, the government has to spend money - instead of the private and the export sectors.

The populist policy or cash hand-out was implemented, with a consequence of a budget deficit, and an increasing national debt.

The money can support the national expenditure in the short run, but, as John Maynard Keynes once argued, during the Great Depression of 1930, unless otherwise the government takes action now.

“In the long run, we are All Dead.” (Rinchakorn, 2022)

The monetary policy has to support the Fiscal populist policy, by making money available for the private sector credit ease, and to support the Fiscal policy in times of an epidemic. All these policies will result in a loosening of disciplinary measures, and begin the new order of the public policy that conserves rather than constructs the nation.

Things will never be the same again - will they?

The Economy will never be the same

The reduction in the rate of GDP growth resulted in the change of the Economy Structure, especially an export income associated with tourism, logistics and trading services.

Thailand will lose a significant share of foreign tourism, especially from China. More o*nline* tourism businesses, though, will grow and replace the traditional tour business providers.

The industrial sector will also shift from one country to another within ASEAN, from Thailand *to* Indonesia and Vietnam, as evidenced by the flow of a foreign direct investment.

The adjustment is a Zero Sum Game, where one country gains at the expense of the others. Therefore, the economy will never be the same - both in terms of consumer behavior and the producer’s entrepreneurial spirit.

But what is happening, has been long witnessed by Joseph Schumpeter, who coined the term, “The Creative Destruction”, to mean, better products and services keep on coming to replace the existing ones.

And the Creative Destruction will be the same - won’t it.

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