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### A New Great Depression is Knocking on the World's Door

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#### Abstract

The 21<sup>st</sup> century is an amalgamation of previous centuries. Various events of the previous centuries recurred in this century. The century is also known as Asia's century. The political and economic powers of the west are transforming into Asia, and this is the real cause of the new cold war between the US and China. COVID-19 impacts more than 70% of the world's economies. There are three main reasons

for the decline in global economic activity. The post-World War II globe faced three global recessions. Only two recessions have been long and deep: the one of 1973–1975 and the one of 1981–1982. Due to COVID-19, another great natural depression is knocking on the world's door. The world's countries collectively cooperate and control the coming Great Depression.

**Keywords:** Great Depression, COVID-19

#### Introduction

Human civilization emerged on the crust of the earth around 0.7 million years ago. In the entire era, only a few single incidents changed the course of life on the planet, and their aftermath lasted for a long time. Perhaps the twenty-first century will be the last century of human life on this beautiful planet because humans in this century face enormous and disordering conditions, such as climate change, multifaceted pandemics, the threat of nuclear war, population bombs, food insecurity, power space among major powers, resource wars, and so on. The people of previous centuries did not face these types of situations and difficulties simultaneously. The people of this century were shocked when a single pandemic closed every activity (social, political, and economic) in the world. The pandemic began two years ago (December 31, 2019) in the Chinese city of Wuhan, and within months it crossed the China border and spread worldwide. The COVID-19 pandemic has possibly dealt a gigantic blow to the global economy after the "Great Depression" of the 1930s. More than 80 percent of the world's population faced either strict or partial lockdown. Thus, millions of temporary and daily-wage workers lost their jobs. In March 2020, the World Health Organization declared a global emergency and the biggest crisis of the 2<sup>nd</sup> decade of the 21<sup>st</sup> century. The crisis adversely affected the world economy (Zhang *et al.*, 2020)<sup>[3]</sup> and created both supply- and demand-side shocks. Interestingly, COVID-19 is not a single pandemic; it is bringing a series of pandemics [a series of viruses] (Del Rio-Chanona *et al.*, 2020; Hobbs, 2020)<sup>[1, 2]</sup>.

The world has bifurcated into pre- and post-COVID-19. Similarly, the world is divided into pre- and post-war worlds by WWI (1914–18), WWII (1939–45), and the Cold War (the war fought between the US and the Soviet Union from 1945–1991; a new cold war exists between the US and China). The 21<sup>st</sup> century is an amalgamation of previous centuries. Every event that happened in the previous century occurs again in this century. Furthermore, the twenty-first century is characterized by poverty, unemployment, nuclear war, climate change, and the new world order. Fascinatingly, the century is also known as Asia's century. The political and economic powers of the west are transforming into Asia, and this is the real cause of the new cold war between the US and China. Asia is home to roughly 70% of the world's emerging economies (Siddiqui, 2020)<sup>[13]</sup>. Asia has the world's second (China) and fifth (India) largest economies. Besides, military expenditure is progressively increasing in Asian countries, i.e., China, Saudi Arabia, and India. (Sandler & George, 2016)<sup>[11]</sup>

**Table 1:** Short- and Long-Term Economic Losses of COVID-19

COVID-19 and World Economy	
Studies	Short- & Long-Term Economic losses
McKibbin & Fernando (2020)	World GDP would be declined by around 2.4 trillion US\$ in 2020
IMF (2020)	Global economy may shirk by 4.9 in 2020 (Three time high from Global Financial Crisis (2008-09))
Sahoo and Ashwani (2020)	Indian Economy growth is -4.9 in 2020
ILO (2020)	China's total value added of industrial enterprises declined by 13.5% during the first 2 months of 2020

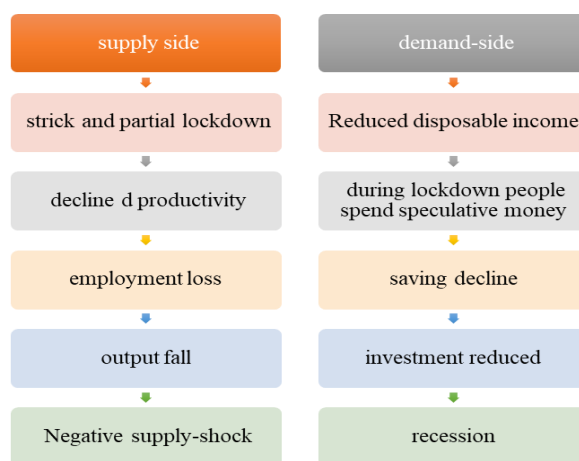
**Financial and Negative Supply Shocks in the 20<sup>th</sup> Century**

The twentieth century saw two world wars and 59 famines, both small and large. From 1945 to 1999, humankind faced 25 interstate wars (Kennedy, 1999) [5] and 127 civil wars that happened among 73 states in the same era, which killed 16.2 million people (Collier, 2007) [6]. Therefore, globally, 471 coup attempts were recorded in merely 61years<sup>1</sup> (Hayat *et al.*, 2016) [7]. The post-World War II globe faced three global recessions<sup>2</sup> (Kose *et al.* 2020) [8] along with the Great Depression (1930). In the 20<sup>th</sup> century, the USA faced 12 recessions, while the UK faced its first technical recession in the first decade (2008-09) of the 21<sup>st</sup> century<sup>3,4</sup>. Similarly, according to Lebonete and Makinen (2002) [9], "in March 2001, the 10th recession of the post-World War II period began". Only two recessions have been long and deep: the recession of 1973-1975 and the recession of 1981-1982. Merely due to famines, about 119 to 127 million people died worldwide.

**Double Macroeconomic Shocks and Natural Recession**

Another great famine and a natural depression are knocking on the world's door. Food insecurity is defined by the World Food Programme as "a situation that exists when people lack secure access to a sufficient amount of safe and nutritious food for normal growth and a healthy life." COVID-19 is the bitter reality of our time; it is pushing the world economy into recession and another natural depression. The peace and prosperity of the world are replaced by violence, poverty, and unemployment, which is driving a great famine. Further, supply also declined due to the industry shutdown. But the demand of the people does not decline at the same rate. During the lockdown, people spent speculative money. There is a huge gap between supply and demand. Thus, the prices of normal goods increased both domestically and internationally. The global economy is expected to contract by -4.9% in 2020 as a result of the pandemic. It is much worse than the 2008 financial crisis. [IMF, 2020]. "The world is facing a severe recession," according to the IMF, "and as a result of this pandemic, the world's economic growth rate will fall from 6% to 3%." Research studies addressing the effects of this pandemic confirm its severe adverse effect on demand and

the supply chain. This pandemic resulted in a 90% drop-in economic activity. To halt the pandemic, lockdowns were imposed in almost every country, which dropped economic activity by 90%, widening the demand and supply gap and causing an increase in the prices of necessities not only in developing nations but also in developed nations as well. The COVID-19 pandemic has possibly dealt a gigantic blow to the global economy after the Great Depression of the 1930s. More than 60 percent of the world's population faced either strict or partial lockdown. Thus, millions of temporary and daily-wage workers lost their jobs. In March 2020, the World Health Organization declared a global emergency and the biggest crisis of the 21<sup>st</sup> century. The crisis adversely affected the world economy [3] and created a negative supply and demand shock.



**Fig 1:** Supply and Demand-Side Shocks and Covid-19

**Recession in the 21<sup>st</sup> Century**

As a result, World War Two [1914–1918], the influenza epidemic [1918–1919], hyperinflation [1923], and the Great Depression [1929] impacted the entire world, leading to World War II [1939–1945]. When WWII came to an end, the states began to compete for power and resources. Countries started surviving under two economic systems: capitalism and socialism. The race for resources and power has increased domestic, regional, and international conflicts. More than 90% of conflicts occur in developing-economy territories. Domestic conflicts divide a state into three parts: political, social, and economic. Almost every state has started to fight against economic evils like poverty, unemployment, inflation, and so on. Besides, social and political dilemmas exist in other parts of the state. The same phenomenon existed before WWII due to COVID-19. Some previous events, such as the 9/11 crisis and the 2008-09 global financial crisis, will also contribute to the Great Recession, which will lead to the Great Depression. The third decade of the 21<sup>st</sup> century was a decade of "natural depression." Similarly, one century ago, the world faced a severe Great Depression in 1930. Recently, more than half the economies in the world have faced natural recessions. Natural recessions exist because of natural shocks rather than man-made shocks, and policies are referred to as natural recessions. Interestingly, more than 80% of the economies in the world faced a natural recession during the first wave of COVID-19. Therefore, the world will face a universal recession in the coming decades due to climate change and the problems it creates. COVID-19 is a pure natural disease and has generated a global recession. There

<sup>1</sup> From 1950-2011

<sup>2</sup> Three global recessions existed: in 1975, 1982, and 1991.

<sup>3</sup> UK officially in recession for first time in 11 years - BBC News

<sup>4</sup> U.S. Recessions: History, Causes, Lengths, Stats (thebalance.com)

are three main reasons for the decline in global economic activity.

**Firstly**, the world transitioned from bipolarity to multipolarity in the first decade of the 21<sup>st</sup> century.

**Secondly**, climate change is a major cause, and this single issue has caused many problems around the world, such as food insecurity, water crises, hot weather, increased resource wars among states, migration, and so on. They will create more severe problems in the future, including a universal recession.

**Thirdly**, the COVID-19 pandemic is the last nail in the coffin of world economic activity. During the first phase of COVID-19, more than 80% of the world faced severe lockdown. Thus, global economic activity declined, and most countries in the world are still facing severe stagnation.

### Future Consequences

Resource wars are the root causes of the entire modern dilemma, like the Financial Crisis of 2007-08, COVID-19, SARS-CoV-2, and World War III. The history of resource wars started when society existed. According to Yuval Noah Harari in his book "Sapiens: A Brief History of Humankind," "about 70,000 years ago, culture existed, and the Agricultural Revolution sped it up about 12,000 years ago."<sup>5</sup> However, resource wars are as old as Homo sapiens' culture. Millions of pages provide the history of resource wars. If we study the history of humans, we never find a page that does not discuss resource wars. Previous wars were land wars, but in fact, the land is a prime resource for wars. Land is the gift of Allah and a source of resources, with about 99.99% of resources being generated by land. The history of modern wars is the history of resource wars. The modern history of resource wars started when the "Treaty of Westphalia" was signed in 1648. Goldman Sachs chief economist, Jim O'Neill, predicted, "Four [now its five economies and three economies: China, India, and economies surviving in the land of Asia] emerging economies will change the shape of the world in the next 50 years." According to an IMF policy report, "India [the Asian economy] will become the second-largest economy in the world in 2027."

### Covid-19 Impact on BRICS Economy Future Consequences

The effect is so severe that it affects every aspect of life. To address the necessities (e.g., food and health) of the people during this epidemic, every government spent huge budgets, but all these efforts failed to control the spread of this pandemic. Now the world knows about the reality of this pandemic. But the cases increased day by day as opposed to being reduced. New cases are increasing daily in the world's largest economy and the strongest democracy, the United States of America. In the same case, for one year, COVID-19 maintained the dominant position in the world's biggest challenges, such as environmental degradation, unemployment, poverty, and financial crisis. The World Health Organization's director-general predicted that "vaccines will not be enough to halt the pandemic."<sup>6</sup> If

people and the government do not take it seriously, then it could be even more dangerous economically and socially than World Wars I and II. From their investigation, Guadagno (2020) has warned that the biggest source of spread is human activities and the movement of human beings. In 2020, the literature has addressed the challenges arising from COVID-19 using different proxies, different models, and different time durations. Their studies' results are different from each other's and are often disputed. From 2018 to 2019, the number of hungry people increased from 270 million to 377 million in merely one year. The exact number of hungry people cannot be found due to COVID-19. According to the UN Food and Agriculture Organization, it has likely increased by 20 to 27 percent worldwide.

COVID-19 altered both the global system and the world order. 2020 is the year of events, and COVID-19 is one of the major and root causes of the world's other events. World politics has entered its most complex phase. New military, political, and economic powers are emerging in different spheres of the world. On a national and international level, these emerging powers are interested in the same things. This interest is at the root of regional and global conflicts. Asia is to become the military and economic hub of the world. The power of the West was transferred to the East. A nation's power is determined by two factors: economic strength and political stability. There is no doubt that Europe has been facing these two problems since the "Global Recession" (also known as the financial crisis of 2008–09). It severely affected global financial and economic activities in enormous countries around the world and was the deepest and most harmonized because it happened in advanced European economies. Therefore, more than 70% of financial crises exist in Europe. Suitable economic policies and political stability are necessary for economic growth and development. Unfortunately, Europe does not provide a more and more suitable milieu for economic activities. Europe is entering into new alliances and blocs regionally and globally. Brexit is the first step in Europe's political instability (Singh, 2020; Gul *et al.*, 2021)<sup>[18, 19]</sup> Collective and international cooperation is not easily possible in a multipolar world. Every superpower and emerging power are adopting an aggressive policy. In the 18<sup>th</sup> and 19<sup>th</sup> centuries, the United Kingdom adopted a politically and militarily aggressive policy (Stone, 2013)<sup>[15]</sup>. Similarly, in the 20<sup>th</sup> century, the US and Russia both adopted political and military power policies. (Layne 2006)<sup>[14]</sup> Now, in the 21<sup>st</sup> century, China has adopted an economic power policy. Economic power policies are more effective than political, military, and power policies. China's infrastructure policy is directly affecting the people of the nation. Besides, China is also showing economic and military supremacy nationally and internationally (Qiu & Anadon, 2012; Li & Worm, 2011)<sup>[16, 17]</sup>. The Trump administration was judging China's economic, military, and political capacity. His administration withdrew from the Joint Comprehensive Plan of Action (the Iran nuclear deal) on May 8, 2018. As a result, the United States exited the Intermediate-Range Nuclear Forces (INF) Treaty in 2019. Chinese Foreign Ministry spokesperson Hua Chunying said on August 2, 2019, that "withdrawing from the INF Treaty is another

<sup>5</sup> Harari, Y. N. (2014). *Sapiens: A Brief History of Humankind* Random House.

<sup>6</sup> On 16 November, World Health Organization Chief Tedros Adhanom tweet on his Twitter account that "Vaccine will not enough to stop the pandemic".

negative move by the US that ignores its international commitment and pursues unilateralism." Its real intention is to make the treaty no longer binding on itself so that it can unilaterally seek military and strategic advantage. In fact, as a result of the current inept foreign policy, economic policies, and aggressive approach to US power, US power is on the verge of melting away forever. In future consequences, the new presidency will accept the state policy of "staying in Asia to counter China." Therefore, the European Union will break down within two decades, and the whole of Europe will enter a new sphere. Military and economic strong states sign new treaties and agreements with weak states in order to maintain European supremacy. No European country wants to pay more for wars in Asia or Africa. Almost all economies in the West are facing a financial crisis due to a failure to maintain economic power. When a nation loses economic power, then it gradually loses all power. The West was the hub of the financial crisis in the previous century. Not only America, but the entire European Union, is losing economic dominance as a result of war policies. Perhaps, after the war, our civilization did not breathe any more life into this lovely plant. Asia is also alive and well. The first ones are China, Russia, Pakistan, and Iran (both Pakistan and Iran are of strategic importance for the new world order). As a result, the second bloc consists of the United States, Israel, India, the Arab World, and Afghanistan.

### Recommendation

Every nation on the planet must fight the coming recession and depression without regard for racial, religious, or territorial boundaries. If the world's nations do not cooperate, the world will enter a new era marked by a clash of civilizations, civil wars, and famines. Perhaps the world will witness a new world war.

### Conclusion

The 21<sup>st</sup> century is the Asian century. The powers of the West shifted from the West to the East. Like WWII, a single pandemic, COVID-19, entirely changed world history from the West to the East. Like WWII, a single pandemic, COVID-19, entirely changed world history. The Great Depression occurred in the third decade of the 20<sup>th</sup> century. Similarly, the same conditions exist in the third decade of the 21<sup>st</sup> century, i.e., pandemic, military confrontation, a race to the implantation of a new world order, poverty and border tension, trade war, and so on. All these situations will push the world into a new Great Depression. The number of hungry people increased worldwide, as did unemployment levels. As a result, the world is transitioning from bipolarity to multipolarity, and a race for power among the world's powers is pushing the world into new and perilous economic, political, and military environments.

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