COVID-19 as a Disease of Poverty and Inequality. Pandemic Impact on Economic Growth, Changes and Problems in the Current Time

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Abstract:
In this research, the author has attempted to systematize the current state of knowledge on selected aspects of poverty and inequality, in light of available analysis and quantitative data, from the perspective of the COVID-19 pandemic. This article is of a polemic nature. Therefore, this text should be treated as a starting point for the empirical research planned by the author during the following months of the research project: SUP.B.RN.21.109, Id: 538.

Keywords: pandemic; poverty; inequality; growth.

JEL Classification: I24; I30; D63.

Introduction
Recently, in many publications authored by economists and economic analysts there have been references to the book by Nassim Nicholas Taleb: The Black Swan: The Impact of the Highly Improbable (2010). It is difficult not to agree with the opinion that the coronavirus pandemic belongs precisely to the group of events unexpected and unforeseen on a global scale and its consequences are extremely strong. Thus, it should be assumed that the COVID-19 pandemic confirms the truth of N. Taleb’s theory of black swans and references to it are most legitimate (Szczęponski 2020, 8).

The author assumed that the coronavirus pandemic belongs to the group of events unexpected and unforeseen on a global scale and its consequences are extremely strong (research hypothesis). After analyzing the areas under “pathogenic phenomena,” The author concluded that the COVID-19 crisis highlighted weaknesses and inequalities that were already present in individual economies, mainly in the food, health, social, economic, and education systems. She emphasized that the future does not look very optimistic, especially for the poorest social groups, in the absence of: a sense of unity, shared responsibility and insufficient financial resources. She also questioned the possibility of completely eradicating poverty, hunger or ensuring security, including food security, and prosperity, as well as reducing inequalities within and between countries by 2030 (in line with the provisions of Agenda 2030), thus indicating that it is these aspects that require further empirical research.

1. Literature Review
An analysis of The Global Risks Report (2021) concludes that the current pandemic has accelerated the anticipated fourth industrial revolution. At the same time, it has triggered changes that, on the one hand, can bring many benefits and, on the other, generate increasing inequality. A visible, widening digital gap can exacerbate social change and disrupt inclusive processes. The younger part of the adult population has faced a difficult challenge. The second major global crisis in their lives requires them to adapt to a new reality. Many new challenges arise that have to do with education, economic prospects, climate change, or health (including mental health). Moreover,
the term “lost generation,” which appears in publications, does not foster cohesion and reveals the fragility of the global economy.

In the article the author has attempted to systematize the current state of knowledge on selected aspects of poverty and inequality, in the light of available analyses and presented data, from the point of view of the current pandemic situation. Therefore, this text should be treated as a starting point for her planned empirical research in the following months of the research project bearing the title: "Socio-economic space and the dynamics of development - directions and manners of change." The author realizes, that researches on the effects of coronavirus is conducted in many scientific centers. In Poland for example, these are Economics from: the Warsaw University of Life Sciences (Czech et al. 2020, 123) or National Research Institute (Szczepaniak, Ambroziak and Droźdż 2020, 141). A researcher from the University of Economics in Wrocław conducted an analysis of the impact of COVID-19 on the tourism sector (Stojczew 2021, 157), according to which the SARS-CoV-2 coronavirus pandemic has a negative impact on it (Pukin-Sowul, Ostrowska 2021, 48-49).

The purpose of the research shown in this article will therefore be to distinguish the most significant areas where the COVID-19 pandemic initiated significant changes. The analysis of these changes and their impact on reality will be started in the current text and continued in the following ones, due to the importance of the phenomenon, its variability over time, as well as its complex aspect.

However, the author does not point to the obvious effects of the Covid-19 pandemic, such as, for example, difficulties in health care, excessive deaths, deterioration in the health of societies due to the lack of treatment or the lack of treatment for other diseases, mental problems resulting from isolation, "knowledge gaps" in children and youth, etc. Therefore, the text does not refer to areas that we find in other articles published during the pandemic. The article does not also refer to the changes that are a consequence of the war in the East. It is too early to investigate the consequences. One can only predict that combining the effects of a pandemic and a war will certainly bring far-reaching consequences.

The term “poverty” mentioned in the title of this article is defined in the literature either as “the inability to achieve a satisfactory level of consumption” (Black 2008, 493), or as “a state of relatively permanent failure to meet basic human needs” (Sztaba 2007, 483). However, an important detail of both these definitions is not noted. The terms: “basic needs,” “satisfactory level,” or “relatively permanent” seem inherently vague. Moreover, from a practical point of view, poverty can be measured on two levels. We can speak of absolute and overall poverty. The first depends directly on household income and access to basic services. The second treats the issue of poverty much more broadly, adding the inability of the public to participate in civic, social, and cultural decision-making (Chojnacka 2021, 103). Moreover, two synonyms are often used interchangeably for the term poverty: “poverty” and “misery.” It is because of poverty that the inequalities mentioned in the title are discovered (including income inequalities), and societies are divided according to various criteria, including the criterion of wealth. It must be accepted that misery destroys a person’s hope of improving their fate and condemns them to social exclusion. It also deprives human beings of exercising their natural right – freedom (Patel 2010, 141). In addition, misery has a destructive effect on the individual and the community in which they live. It breeds suffering, a threat to biological existence. It is also a source of internal and international conflict (Galbraith 1987, 21).

We can also think of poverty as a “scarcity of opportunity” (Sen 2002, 105), resulting from individual valuing of life or from interpersonal comparisons of living standards. Following this line of reasoning, poverty and austerity can be seen as a “hunger” of owning things, or; psychological and aesthetic discomfort, or even intellectual and moral impoverishment. This refers to the inability to achieve happiness identified with owning, using, and enjoying goods (Roszkowski 2019, 381). The choice of a specific definition of poverty is therefore important for the results obtained from this measurement (Carbonaro 1992, 15-42). It is also not insignificant that, in a global perspective, poverty is the greatest and most widespread human failure, so it is necessary to identify precisely not the type of poverty itself but its effects (Galbraith 1987, 21). This is because it has a destructive effect on the individuals or groups affected and causes disorganization of the entire social life. It can also give rise to a variety of pathologies.

In summary, the term “poverty” can refer to both individuals and social groups. With its help, single phenomena or entire complex processes can be analyzed. The focus of interest for those studying the issue of poverty can therefore be found in the methods of combating this phenomenon (Dyczewski 1997, 370-371). The related problem of economic inequality, from the earliest times, on the one hand gave rise to opposition, on the other: motivated people to action.

However, it is worth emphasizing that the manner of operation, both today and in the past, depends, among others, on the level of socio-economic development. This, in turn, depends on the state and health of the economy. We have repeatedly observed that the pursuit of profit has contributed to a widening gap between the rich and the poor. The increasing polarization of society exacerbated social conflicts and necessitated state interference. It
remains, therefore, to ask the question of the state of affairs in the face of the current situation, i.e. the crisis caused by Covid-19, at the same time identifying the most important areas with which poverty and inequality may be associated and the expected impact of the pandemic.

2. Methodology and changes in the way global actors operate – diagnosis of "pathogenic phenomena"

As mentioned, it is extremely important to properly diagnose the short- and long-term risks resulting from the emergence of pandemic phenomena (as a consequence of COVID-19). Three leading areas should therefore be mentioned here: “digital inequality,” “youth disillusionment,” and “social erosion of cohesion”.

Table 1 presents phenomena characteristic of the ongoing crisis that may result in increased poverty and inequality, describing them as “pathogenic.” It is also worth emphasizing that all generations in the society and all social groups have been affected by the crisis. Older populations are the most vulnerable to the pandemic, while younger populations face increasing barriers, according to a 2021 global risk report. It is enough to stress that since the beginning of the pandemic, many people have lost their jobs and income (production has decreased in many sectors), others have died. In view of this, it is obvious that it will take time for the economy to recover (Nobre 2020).

Table 1. Characteristics of “pathogenic” phenomena evident during the crisis by domain

<table>
<thead>
<tr>
<th>Domain</th>
<th>Most important aspects</th>
<th>Possible consequences</th>
</tr>
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<tbody>
<tr>
<td>“Digital Inequality”</td>
<td>§ reducing investment in digital education;</td>
<td>§ ubiquity of cyber attacks using drones and other technologies;</td>
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<td>§ attempts by individual governments to take over major platforms and service providers – restricting internet access, censoring information and disrupting communications;</td>
<td>§ digital exclusion.</td>
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<td>§ lack of necessary workforce skills.</td>
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<td>“Youth Disillusionment”</td>
<td>§ lack of new development opportunities supported by educational opportunities and jobs, related to: the existence of an outdated education system and problems with the climate crisis;</td>
<td>§ deterioration of health;</td>
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<td></td>
<td>§ weak financial incentives (before the pandemic, 2/3 of the world’s poor were youth and children);</td>
<td>§ life crises;</td>
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<td></td>
<td>§ aging of the society;</td>
<td>§ infectious diseases;</td>
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<td></td>
<td>§ fourth industrial revolution.</td>
<td>§ the need to change consumer habits;</td>
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<tr>
<td>“Social erosion of cohesion”</td>
<td>§ a decline in the overall level of trust in the authorities;</td>
<td>§ job loss or inability to find a job due to automation (the fourth industrial revolution);</td>
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<td>§ lack of common moral and ethical standards;</td>
<td>§ too low an income that makes it impossible to receive any education;</td>
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<td>§ lack of a sense of unity and belonging to a group;</td>
<td>§ career instability and limited opportunities for advancement;</td>
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<td></td>
<td>§ challenging the continued existence of hitherto cooperation agreements and arrangements</td>
<td>§ lack of adequate social protection increasing poverty;</td>
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<td>§ growing disapproval of the new situation;</td>
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<td></td>
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<td>§ migration in search of new opportunities.</td>
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Source: author’s own elaboration based on available reports

The crisis has challenged entire countries in terms of shaping their policies and international relations. In many, the response to the pandemic has created new geopolitical tensions. Last year, the European Commission (EC) presented a package of legislative proposals, initiating the creation of the European Health Union. Thus, it initiated efforts to strengthen crisis management in the face of cross-border health threats, taking into account the reforms of the area’s institutions (Szymańska 2020, 1). The idea was to create an incentive for closer cooperation on health at the EU level. As the proposers stressed, the proposed solutions were in no way intended to encroach on the competences of the Member States as set out in treaties. In the long term, they were intended to “pave the way for a revision of the competences of the Union and the States in health policy”, meeting the public’s expectations of reinforcement of health-promoting measures.

Everything that has been mentioned so far indirectly affects the state and condition of the society especially in the group of impoverished social strata deprived of sufficient financial resources. This raises another question
that needs to be answered: whether, globally, the EU's health and pandemic initiatives are sufficient. For it is impossible to separate the sphere of health from other areas of human existence.

3. Case Studies. Expected Effects of the Pandemic in the Next Decade

The pandemic continues, as evidenced by the statistics on the number of daily confirmed cases of COVID-19, as below Figure 1 showed.

![Figure 1. Daily confirmed cases of COVID-19 in millions of people in selected countries](image)

Source: own elaboration based on: Johns Hopkins University CSSE COVID-19 Data

In light of the ongoing pandemic, it is therefore extremely apt to describe the situation using the term “disease” when referring to the negative events occurring in the economy (and the measures taken to support it) or to use the term “pathogen” as mentioned, among others, by Dobska (2020, 13). It is hard not to agree with her opinion that this pathogen may mutate in such a way that today's measures may in a moment be completely inadequate to the situation, and curing the economy with the “medicaments” available today may be impossible. This is because all it takes is a few factors, and the “mutant virus” will attack with increased force. So the question whether we are prepared for this takes on meaning. As Malthus (1798, 64) wrote, we can say today - citing his words - that it still (despite the passage of time) looks as if, because of the inevitable laws of our nature, some people must “suffer from want.” These individuals are unhappy because “in the great lottery of life, [they] have drawn a blank”.

The likely effects of the pandemic can be analyzed in many areas. First: interstate “skirmishes” are expected as a result of, among other things, insufficient information and lack of detail. Disinformation can also be introduced by social media, using artificial intelligence to add to the chaos. Second: the younger part of the society, impatient with the long-standing situation, inequalities or corruption phenomena, may start mobilizing against the ruling elites. Democracy is also expected to collapse, as a result of a prolonged state of crisis and declining confidence in past patterns.

Furthermore, on the environmental side, over-magnetization of the Earth can have a destabilizing effect on the biosphere (The Global Risks 2021). These, as well as the effects not yet mentioned, can be successfully categorized into five main areas: economic, geopolitical, environmental, social, and technological. Within the economic area, the following expected occurrences are noteworthy:

- collapse of industries that are key for the global economy and financial markets;
- debt and liquidity problems, and in extreme cases, bankruptcy;
- housing and other asset prices disconnected from the real economy;
- unmanageable inflation;
- global proliferation of informal and/or illegal activities that harm the economy (especially: illicit financial flows, illegal trade, tax evasion, etc.);
- almost zero growth (stagnation);
- sudden shocks to supply and demand for systemically important commodities (such as energy, food, metals, minerals, etc.).

Within the geopolitical area, the following are expected: increased terrorist attacks, changing relationships between entities, areas, districts, states, and new conflicts, geopolitization of resources, state collapse. In the social area, the following are expected:

- subsequent infectious diseases (waves);
- livelihood problems/crisis;
- erosion of social cohesion;
- disillusionment of youth related to a difficult situation;
- collapse of the social security system;
- a reaction critical of science that has not kept up with change sufficiently or where proposed solutions are not working.

In terms of environmental change, one can expect:
- extreme weather changes, the consequences of which may be tragic not only for selected areas, but also for the entire globe;
- irreversible damage to the environment;
- loss of biodiversity;
- natural resource crisis;
- failure of measures aimed at saving the climate that will take years to recover.

It might seem that the aspects listed in each area do not have a direct impact on the post-pandemic situation for the most part. But a weakened economy is much more susceptible to negative stimulus than a strong and resilient one. So the overlapping problems cause much more severe effects. Several different scenarios can be pursued to better prepare for and combat the next waves of the pandemic. All, however, should focus on: taking a holistic and systemic look at imminent risks; investing in national and international cooperation; improving communication and combating misinformation; and exploring new forms of public-private partnerships in case of emergence of previously unknown risks (The Global Risks 2021, 9).

**Conclusion**

COVID-19 has contributed to the loss of livelihoods and reduced incomes of people in many parts of the world, as evidenced by statistics and their studies (OECD 2021). This is due to the overall poor health of economies, which, regardless of average income levels, have seen a decline in GDP levels (Figure 2).

![Figure 2. Impact of the pandemic: GDP growth, by income group (%)](image)

Source: Own elaboration based on International Monetary Fund (2021, 31).

Although it can be concluded from the available data that the consequences of the COVID-19 pandemic recession will be smaller than those of the past global financial crisis (Figure 3), it is also evident that developing economies will be affected more than advanced economies. It is therefore safe to say that COVID-19 has threatened global security, and not just food or health security, affecting not just poor or marginalized groups (although unfortunately both groups feel its consequences much more strongly). Thus, its effects began to be felt also by rich people, owners of large manufacturing or service companies.

Considerations suggest that countries can implement various pandemic mitigation measures now (depending on the type of impact they face). However, it is worth noting that some of them will have consequences for many years to come.

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2 HIC = high income; LIC = low income; LMC = lower middle income; UMC = upper middle income
To improve a community's ability to anticipate shocks and the long-term consequences of the pandemic, it is worthwhile to employ solutions that cushion shocks of similar etymology in the future. This will certainly require better access to sources of financing, a more flexible safety net, including social and digital safety, competitive markets and new trade channels as well as investments in infrastructure and research and development.

In view of the above, an important final conclusion emerges. The COVID-19 crisis highlighted weaknesses and inequities that were already present in individual economies: food systems, health systems, social systems, and economic systems. The future, therefore, does not look very optimistic, especially for the poorest social groups, in the absence of a sense of unity, shared responsibility and insufficient financial resources. It should be added that the war beyond the eastern border of Poland will certainly intensify the unfavorable processes.

This raises another question about whether it will be possible to meet the 17 Sustainable Development Goals, which include eradicating poverty, hunger, ensuring security, including food security, and prosperity, and reducing inequality within and between countries, by 2030 (Agenda 2030). However, for the answer to be objective, it is necessary to develop quantitative data in advance, within the framework of the objectives indicated, relating them to the new realities that the pandemic has “offered” to the world.

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References


\[\text{Sample consists of 178 economies: AEs = advanced economies; EMDEs = emerging market and developing economies; EMEs = emerging market economies; LICs = low-income countries; WEO = World Economic Outlook}\]


