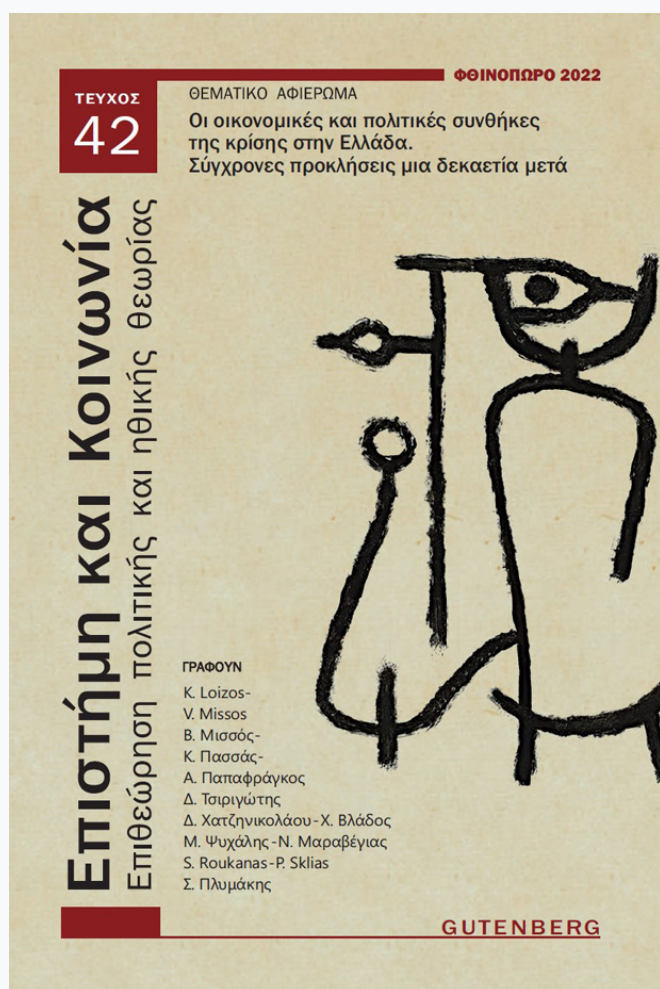


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The political economy of global inequalities under the prism of COVID-19 pandemic

Spyros Roukanas, Pantelis Sklias

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*Spyros Roukanas**

*Pantelis Sklias***

THE POLITICAL ECONOMY
OF GLOBAL INEQUALITIES UNDER
THE PRISM OF COVID-19 PANDEMIC

The manifestation of the COVID-19 pandemic created unprecedented conditions at the global economic level. Ten years after the manifestation of the global financial crisis of 2007-2009, the world economy is facing the most severe economic crisis since the end of World War II. The traditional tools of monetary and fiscal policy need to face the new challenge of confronting the implications of an economic crisis that is coming from the health sector and not from an economic sector. The combined economic effects of the global financial crisis of 2007-2009 with the severe economic impact of the COVID-19 pandemic create new challenges for the economic policy that is implemented by governments and central banks. The aim of this article is to reveal the political economy of global inequalities under the prism of the COVID-19 pandemic. Developing economies are faced with more severe economic challenges in comparison to developed economies. Economic and social

* Associate Professor, Department of International and European Studies, University of Piraeus. <sroukana@webmail.unipi.gr>

** Professor, Department of History, Politics and International Studies, Neapolis University Pafos. <p.sklias@nup.ac.cy>

inequalities are going to affect the economic prospects of developing economies in the long term.

1. *Introduction*

THE AIM of this article is to study the political economy of global inequalities under the prism of the COVID-19 pandemic. The manifestation of the COVID-19 pandemic created a unique situation for certain regions of the world economy. The world economy is facing the deepest recession since the end of World War II (Yeyati and Filippini 2021: 1). The advanced economies were more effective in dealing with the economic and social impact of the COVID-19 pandemic in comparison with developing economies. Our analysis will reveal the economic and social consequences of the COVID-19 pandemic but also the economic means available to developed and developing economies for confronting these (Roukanas 2020). Prior to the manifestation of the COVID-19 pandemic, the global economic environment was shaped by three key factors:

- 1) *increased economic volatility and more frequent manifestation of economic crises as a consequence of financial liberalisation;*
- 2) *stagnant economic growth in developed and rapidly developing countries, as the middle class will not be able to make a substantial contribution to the consumption of goods and services because of income limitations;*
- 3) *reduced economic development prospects, as increasingly smaller sections of the population will have adequate resources in order to access education and health, which are crucial for increasing the added value of the goods and services that the countries produce and export (Roukanas 2020: 205).*

The implications of the economic crisis caused by the COVID-19 pandemic are also related to the differences in pre-existing

conditions faced by developed economies and developing economies. In particular, according to the study by the Brookings Institution, the following factors enhance the impact of the COVID-19 economic crisis on developing economies:

- 1) Fiscal space
- 2) State capacity and
- 3) Labor market structure (Yeyati & Filippini 2021: 3).

For this reason, we study economic groups or regions with different economic characteristics. Firstly, we analyse the macroeconomic impact of the COVID-19 pandemic on certain regions. Then we analyse certain indicators in order to reveal the impact of COVID-19 pandemic on different income groups of countries, such as emerging market and developing economies, fragile and conflict-affected countries, and low-income countries in comparison with the advanced economies (Brodeur et al. 2020, Boissay & Rungcharoenkitkul 2020). Finally, we analyse the conclusions of the study.

2. *The macroeconomic impact of the COVID-19 pandemic*

In this section, we study the macroeconomic impact of the COVID-19 pandemic. In order to understand the post-pandemic macroeconomic environment, we have to study specific macroeconomic indicators. More specifically, we analyse the following macroeconomic indices: real GDP growth, GDP at current prices, GDP per capita, inflation rate, current account balance as percent of GDP, general government net lending/borrowing as a percentage of GDP, and general government gross debt as a percentage of GDP. The time period under study in this section is from 2018 until 2021 in order to have a more complete picture of the implications of the COVID-19 pandemic for certain indicators. Moreover, we study the advanced economies in comparison with certain developing regions in order to

understand the impact of the COVID-19 pandemic. The analysis of this section is enriched with specific macroeconomic indicators that reveal the intensity of COVID-19 and the different implications for advanced economies and certain groups of developing economies.

Table 1 shows real GDP growth from 2018 to 2021. For 2021, we have only estimates, as the year had not yet ended at the time of writing. The year 2020 is the first year of the economic implications of the COVID-19 pandemic, as 31 December 2019 is the turning point according to World Health Organization (World Health Organization 2020). The impact of the COVID-19 pandemic on Latin America and the Caribbean is the most severe, with a recession of -7.0% of GDP, followed by European Union at -6.1% and the advanced economies at, -4.7%. It seems

Table 1. Real GDP growth (Annual % change)

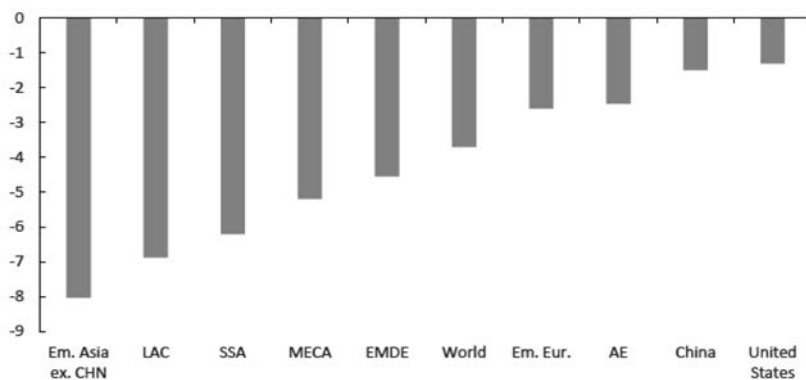
Regions	2018	2019	2020	2021*
Advanced Economies	2.3	1.6	-4.7	5.1
Emerging Market and Developing Economies	4.5	3.6	-2.2	6.7
European Union	2.3	1.7	-6.1	4.4
Emerging and Developing Asia	6.4	5.3	-1.0	8.6
Emerging and Developing Europe	3.4	2.4	-2.0	4.4
Sub-Saharan Africa	3.2	3.2	-1.9	3.4
Latin America and the Caribbean	1.2	0.2	-7.0	4.6
Middle East and Central Asia	2.0	1.4	-2.9	3.7
World	3.6	2.8	-3.3	6.0

* Estimate

Source: IMF 2021a.

that in all other regions the intensity of the economic crisis is less severe, as their recession is less than the world average. We can also observe that the three regions mentioned above had lower GDP growth rates in comparison with all other regions under study for 2018 and 2019. This explains that Latin America and the Caribbean, the European Union, and the Advanced Economies faced a more severe recession in 2020 as we can see also in Figure 1. The estimates for 2021 reveal that all regions under study will experience economic growth and the world average, 6.0% will be the highest for the years under study.

Figure 1. Global GDP growth 2020



Note: AE = Advanced Economies; Emerging Asia ex. CHN = Emerging and Developing Asia excluding China; EM. Eur = Emerging and Developing Europe; LAC = Latin America and the Caribbean; MECA = Middle East and Central Asia; SSA = sub-Saharan Africa.

Source: Yeyati & Filippini 2021: 2.

Table 2 shows the distribution of GDP among the regions under study. More specifically, Table 2 reveals that Sub-Saharan Africa, Emerging and Developing Europe, Middle East and Central Asia, and Latin America and the Caribbean are the regions with the lowest GDP in comparison with the highest share of world GDP for Advanced Economies, Emerging Market

and Developing Economies, the European Union, and Emerging and Developing Asia. We can observe that GDP follows the same path with the real GDP growth that we observed in Table 1 and Figure 1. Moreover, the study of Table 3 highlights the different income groups that the regions under study belong to. Sub-Saharan Africa is the region with the lowest GDP per capita, only 1.550 U.S. dollars, in comparison with all the other regions under study. GDP per capita reveals that different income groups felt the implications of the COVID-19 pandemic with different intensity. Only Advanced Economies (51.910 U.S. dollars) and the European Union (38.390 U.S. dollars) have GDP per capita higher than the world average (12.160 U.S. dollars) for 2021.

Table 2. GDP, current prices (Trillions of U.S. dollars)

Regions	2018	2019	2020	2021*
Advanced Economies	51.52	51.97	50.6	55.99
Emerging Market and Developing Economies	34.38	35.37	33.94	37.87
European Union	15.97	15.64	15.17	17.13
Emerging and Developing Asia	19.68	20.55	20.67	23.2
Emerging and Developing Europe	3.86	3.93	3.65	4.12
Sub-Saharan Africa	1.7	1.72	1.62	1.81
Latin America and the Caribbean	5.31	5.19	4.32	4.66
Middle East and Central Asia	3.83	3.98	3.68	4.08
World	85.89	87.35	84.54	93.86

* Estimate

Source: IMF 2021b.

Table 3. GDP per capita, current prices
(U.S. dollars per capita, thousand)

Regions	2018	2019	2020	2021*
Advanced economies	48.23	48.47	47.05	51.91
Emerging market and developing economies	5.35	5.44	5.17	5.7
European Union	35.94	35.13	34.05	38.39
Emerging and Developing Asia	5.44	5.64	5.63	6.28
Emerging and Developing Europe	10.19	10.36	9.6	10.83
Sub-Saharan Africa	1.7	1.68	1.55	1.69
Latin America and the Caribbean	8.5	8.24	6.79	7.26
Middle East and Central Asia	4.76	4.85	4.41	4.79
World	11.47	11.54	11.06	12.16

* Estimate

Source: IMF 2021c.

In Table 4, we analyse the inflation rate and its annual percentage change. As we can see, the majority of the regions under study have inflation rates higher than the world average for 2018 and 2019. Only the European Union and the Advanced Economies had inflation rates lower than the world average for 2018 and 2019. From Table 4, we can observe that the regions under study followed a different path as regards inflation. For example, inflation in the majority of the regions under study followed a downward path during 2020, with the exception of Sub-Saharan Africa, and Middle East and Central Asia, where inflation followed an upward path during 2020. The explanation for these different inflation paths is strongly correlated with monetary stability in each different areas, as we can also observe

from Figures 2 and 3. Figure 2 compares the impact of the global financial crisis of 2007-2009 with that of COVID-19 on inflation in the Advanced Economies group. In both cases inflation followed a downward path after the manifestation of the economic crisis, but its decrease was more pronounced in the case of the global financial crisis. On the other hand, inflation is recovering more quickly after the COVID-19 pandemic. The explanation for this relatively rapid recovery of inflation is strongly correlated with the expansionary monetary policy pursued by the central banks of Advanced Economies. According to the World Bank, the explanation for the inflation pressure has to do with: *Inflation pressures are appearing earlier than was the case following the global financial crisis, due to an increase in commodity prices and global supply bottlenecks.* (World Bank 2021: 38).

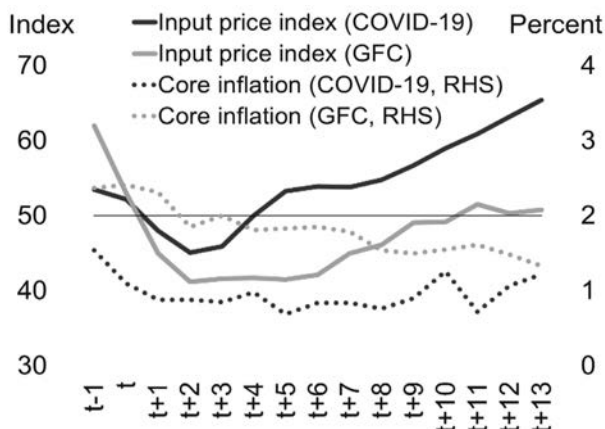
Table 4. Inflation rate, average consumer prices
(Annual % change)

Regions	2018	2019	2020	2021*
Advanced economies	48.23	48.47	47.05	51.91
Emerging market and developing economies	5.35	5.44	5.17	5.7
European Union	35.94	35.13	34.05	38.39
Emerging and Developing Asia	5.44	5.64	5.63	6.28
Emerging and Developing Europe	10.19	10.36	9.6	10.83
Sub-Saharan Africa	1.7	1.68	1.55	1.69
Latin America and the Caribbean	8.5	8.24	6.79	7.26
Middle East and Central Asia	4.76	4.85	4.41	4.79
World	11.47	11.54	11.06	12.16

* Estimate

Source: IMF 2021d.

Figure 2. Inflation pressures on advanced economies



Note: GFC = global financial crisis. Solid lines show 3-month moving average of the Purchasing Managers' Index (PMI) composite input price index for Developed Markets. PMI readings above (below) 50 indicate ex-pansion (contraction) in economic activity. Dotted lines show median year-over-year core inflation rate for 29 advanced economies.

't' refers to November 2008 for GFC and March 2020 for COVID-19.

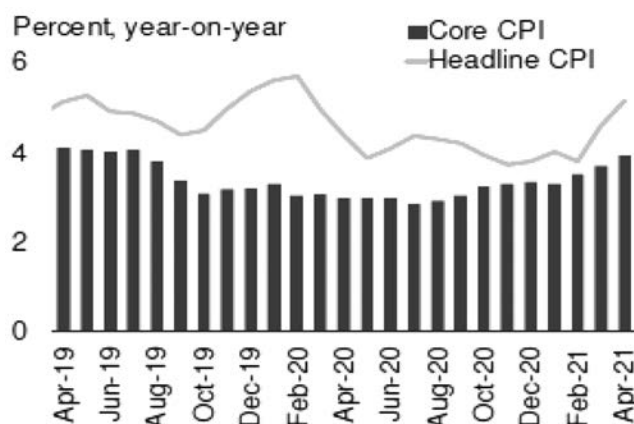
Last observation is April 2021.

Source: World Bank 2021: 39.

Figure 3 analyses the impact of COVID-19 on inflation in Emerging Market and Developing Economies. The inflation rate is highest in comparison with that of Advanced Economies even before the manifestation of the COVID-19 pandemic. From December 2019 onwards, inflation follows an upward path, especially if we focus on headline consumer price index, which represents inflation for 89 emerging market and developing economies. In the second semester of 2020, the headline consumer price index follows a downturn path, along with the core consumer price index. In the first semester of 2021 inflation follows an increasing path for both groups of counties. According to the World Bank, the path of inflation in Emerging Market and Developing Economies is related to the following issues: *Average core inflation in EMDEs has ticked up to slightly*

above pre-pandemic levels, with a more pronounced increase in countries that experienced depreciations. Headline inflation has also increased due to rising energy prices and, particularly in LICs, food prices (World Bank 2021: 41).

Figure 3. Core and headline inflation in Emerging Market and Developing Economies (EMDEs)



Note: CPI = consumer price index; EMDEs = Emerging Market and Developing Economies. Aggregates calculated using 2020 real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. Sample for “Headline CPI” and “Core CPI” includes up to 89 and 50 EMDEs respectively. Last observation is April 2021.

Source: World Bank 2021: 42.

Table 5 shows the current account balance as a percentage of GDP for the period 2018-2021. As we can see, before the COVID-19 pandemic certain regions were facing current account deficits, which underlines the limited competitiveness for certain regions (Bortz, Michelena & Toledo 2020). On the other hand, Advanced Economies, the European Union, and Middle East and Central Asia seem to have a more competitive environment, which positively affects the current account balance. In 2020, certain regions are affected by COVID-19 pandemic and we can see that Latin America and the Caribbean switches from

Table 5. Current account balance, percent of GDP

Regions	2018	2019	2020	2021*
Advanced Economies	0.8	0.7	0.3	0.2
Emerging Market and Developing Economies	-0.2	0.1	0.6	0.5
European Union	3.1	2.9	3.1	3.2
Emerging and Developing Asia	-0.3	0.6	1.7	1
Emerging and Developing Europe	1.7	1.3	0	0.6
Sub-Saharan Africa	-2.6	-3.7	-3.7	-3.7
Latin America and the Caribbean	-2.5	-1.7	0.2	0
Middle East and Central Asia	2.7	0.5	-3	0.3
World	-	-	-	-

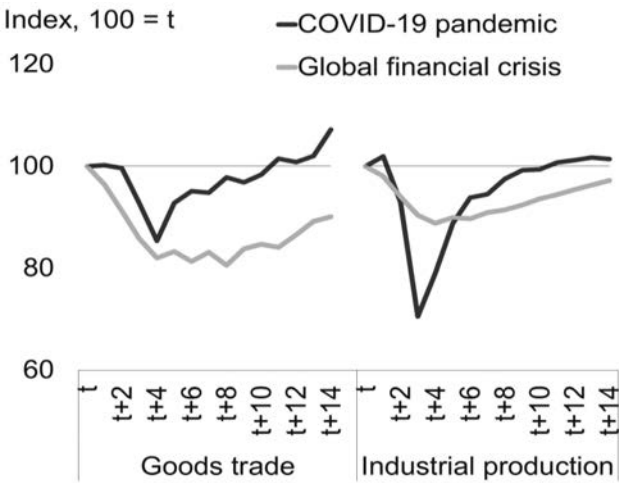
* Estimate

Source: IMF 2021e

a current account deficit in 2019 to a current account surplus of 0.2%. On the other hand, Middle East and Central Asia shifts from a current account surplus of 0.5% at 2019, to a current account deficit of -3.0% in 2020. Estimations for 2021 show a slow current account balance recovery in certain regions, such as Emerging and Developing Europe, and Middle East and Central Asia. The explanation for the current account deficit of certain emerging countries is related to limitations in the trade of goods and industrial production, as we can see at Figure 4. As we can see in Figure 4, the impact of COVID-19 on the trade of goods in Emerging Market and Developing Economies, excluding China, was lower than the impact of the global financial crisis, albeit steeper. On the other hand, the impact on industrial production was more severe as a result of COVID-19 which explains the current account deficit of certain

regions under study, such as Middle East and Central Asia. In Figure 5, we can see that COVID-19 had a more severe impact on the price of oil, especially in April 2020, in comparison with other commodities, such as iron ore, copper, and soybeans. Oil-exporting countries were affected by the sharp drop of oil prices. According to World Bank, the following applied to oil-exporting countries and especially Middle East and North Africa: *Oil revenue accounted for about one-third of output, two-thirds of merchandise exports, and three-quarters of government revenue in these economies in 2019.* (World Bank 2021: 85).

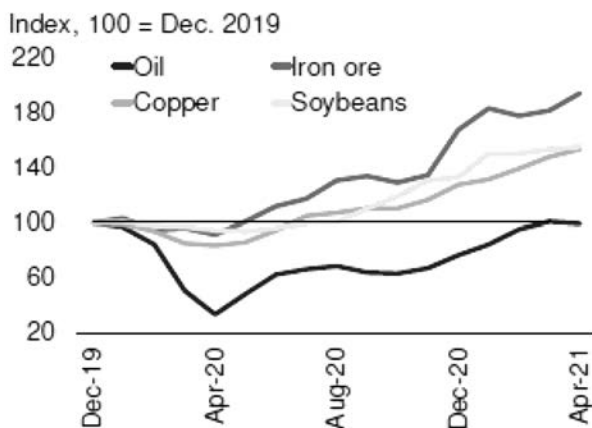
Figure 4. Goods and industrial production in Emerging Market and Developing Economies, excluding China



Note: $t=100$ for the global financial crisis in September 2008; $t=100$ for the pandemic in January 2020. Goods trade is measured as the average of import and export volumes. Last observation is March 2021.

Source: World Bank 2021: 22

Figure 5. Commodity prices



Note: Last observation is April 2021.

Source: World Bank 2021: 74

Table 6 analyses general government net lending/borrowing as a percentage of GDP. As we can observe, almost all regions under study had fiscal deficits for 2018 and 2019, prior to the manifestation of the COVID-19 pandemic. The year 2020 was the year when all regions under study had much higher fiscal deficits in order to confront the implications of COVID-19. Governments have taken certain fiscal measures that expand their fiscal deficits. In 2021, the picture remains almost the same, but with a tendency towards lower fiscal deficits. In Figure 6 we can see the fiscal support measures that have been taken since January 2020 by Advanced Economies and Emerging Market and Developing Economies, in comparison with the world average. It is obvious that Advanced Economies had more fiscal tools available to confront the implications of COVID-19, as their intervention accounted for almost 17.0% of GDP, as compared to 4.5% for Emerging Market and Developing Economies and world average of 7.0%.

According to the World Bank, the fiscal measures taken by the governments of advanced economies were much more

reinforced in comparison with the corresponding measures of Emerging Market and Developing Economies: ‘Fiscal authorities also announced a series of large-scale support packages across advanced economies and, to a lesser extent, EMDEs.’ (World Bank 2021: 9)

The available measures taken by developing economies had a more severe effect on their fiscal balances for 2020 than the corresponding measures for confronting the global financial crisis of 2007-2009, as we can see in Figure 7. Figure 7 also shows that all regions under study have fiscal deficits, whereas in 2007 the picture was mixed, as certain regions had fiscal surpluses.

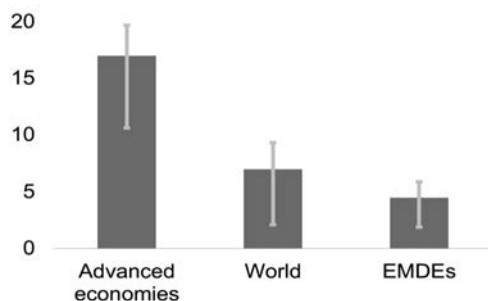
Table 6. General government net lending/borrowing (% of GDP)

Regions	2018	2019	2020	2021*
Advanced Economies	-2.5	-2.9	-11.7	-10.4
Emerging Market and Developing Economies	-3.7	-4.7	-9.5	-7.5
European Union	-0.4	-0.5	-7.4	-6.4
Emerging and Developing Asia	-4.4	-5.9	-10.6	-9.1
Emerging and Developing Europe	0.2	-0.8	-5.8	-3.5
Sub-Saharan Africa	-3.5	-4.1	-6.9	-5.6
Latin America and the Caribbean	-5	-4	-8.7	-5.7
Middle East and Central Asia	-2.3	-3.5	-9.3	-5.4
World	-	-	-	-

* Estimate

Source: IMF 2021f

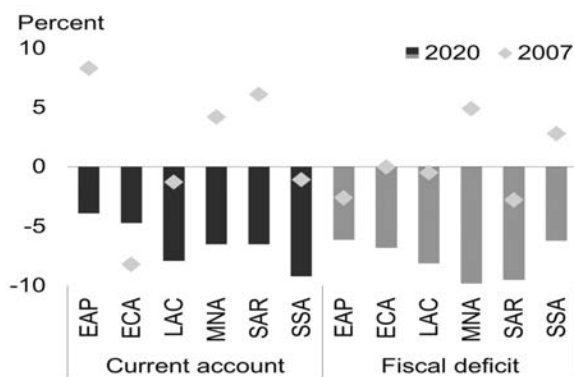
Figure 6. Fiscal support measures in response to COVID-19 since January 2020



Note: EMDEs = emerging market and developing economies. Bars show unweighted average of total fiscal support measures in response to COVID-19 pandemic. Sample includes 48 advanced economies and 143 EMDEs.

Source: World Bank 2021: 10

Figure 7. Emerging Market and Developing Economies current account and fiscal balances



Note: EMDEs = Emerging Market and Developing Economies; EAP = East Asia and Pacific, ECA = Europe and Central Asia, LAC = Latin America and the Caribbean, MNA = Middle East and North Africa, SAR = South Asia, SSA = Sub-Saharan Africa. Averages across EMDE regions, consisting of 22 EAP (excluding China), 23 ECA, 31 LAC, 16 MNA, 8 SAR, and 46 SSA.

Source: World Bank 2021: 10

Table 7 presents the impact of COVID-19 on general government gross debt as a percentage of GDP. We can see that the Advanced Economies and the European Union are the regions with the highest government debt as a percentage of GDP in comparison with all other regions under study, even for 2018 and 2019. The fiscal implications that were studied above affected the debt path for 2020 for almost all the regions under study, with the exception of Middle East and Central Asia. The estimates for 2021 point to the stabilisation of government debt, as the countries have confronted the main implications of COVID-19. In Figure 8, we can see the rise of both the government and private debt of Emerging Market and Developing Economies for 2020 in comparison with the global financial economic crisis of 2007 and the situation in 2019, before

Table 7. General government gross debt (Percent of GDP)

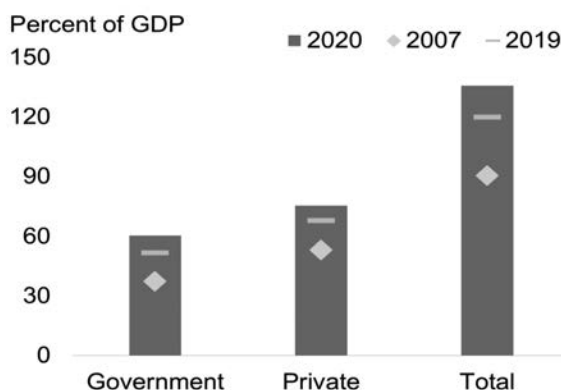
Regions	2018	2019	2020	2021*
Advanced Economies	102.5	103.8	120.1	122.5
Emerging Market and Developing Economies	51.8	54.1	63.3	64
European Union	81.3	79.2	91.7	93
Emerging and Developing Asia	53.8	56.6	66.6	68.9
Emerging and Developing Europe	30.3	29.7	38.2	37.5
Sub-Saharan Africa	48.3	51.5	57.8	56.2
Latin America and the Caribbean	67.1	68.1	77.2	75.5
Middle East and Central Asia	43.6	56.6	56	53
World	-	-	-	-

* Estimate

Source: IMF 2021g

COVID-19. Total debt stood at 90% of GDP in 2007, 120% of GDP in 2019, and 136% in 2020. It seems that Emerging Market and Developing Economies are more severely hit by the implications of COVID-19 on government and private debt in comparison with Advanced Economies. This is also explained by the macroeconomic vulnerabilities that certain developing economies are facing. More specifically, the World Bank understands the debt prospects of developing economies as follows: *The ebbing of the pandemic is also revealing heightened macroeconomic vulnerabilities in many EMDEs –in particular, high debt burdens and sizable current account and fiscal deficits– leaving many of them exposed to financial market disruptions.* (World Bank 2021: 9-10)

Figure 8. Emerging market and developing economies
government and private debt



Note: Aggregates are calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates, excluding China. Total debt is a sum of government and private debt. Government debt based on 149 EMDEs and private debt based on 126 EMDEs.

Source: World Bank 2021: 10

3. *The economic and social inequalities caused by the COVID-19 pandemic*

In this section, we present certain indicators that reveal the economic and social inequalities of COVID-19 pandemic. Sara Stevano et al. underline the global inequalities related to COVID-19. They highlight the interconnection of COVID-19 with the crises of capitalism (Stevano et al. 2021). According to their contribution, the COVID-19 pandemic highlighted the main vulnerabilities of capitalism: *‘[I]ntensification of inequalities and reinforced through policy responses that have failed to protect the most vulnerable from the health and socio-economic impacts of COVID-19.’* (Stevano et al. 2021: 1)

First, we analyse the population of the areas under study in order to understand the socioeconomic impact of the COVID-19 pandemic. Then, we analyse the impact of COVID-19 on GDP in emerging market and developing economies, excluding China, in comparison with the global financial crisis of 2007. Moreover, we study per capita income growth for certain regions of developing economies relative to advanced economies. Moreover, we analyse the share of countries with lower per capita GDP levels in 2022 than in 2019, in order to understand the impact of COVID-19. Finally, we present the increase in poverty headcounts due to pandemic by end-2021 for certain regions of developing economies.

In Table 8, we can see the population of the regions under study for 2018 until 2021. The presentation of the data underlines that the majority of the world’s population lives in developing economies. Therefore, the weak economies are more severely affected by the implications of COVID-19 and these implications concern the majority of the world population. This is an issue of great importance, as the growth tendency of the world population will be more correlated with developing economies.

Table 8. Population (Millions of people)

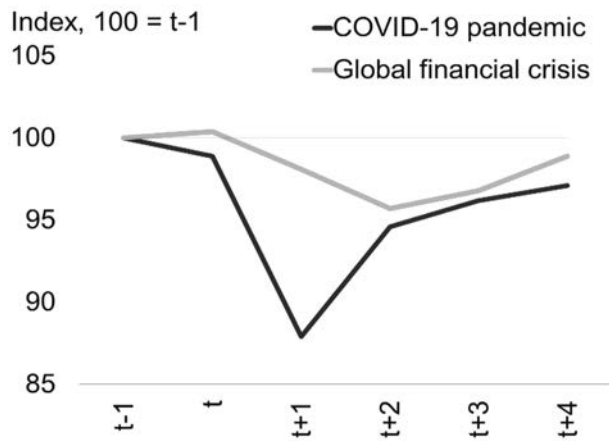
Regions	2018	2019	2020	2021*
Advanced Economies	1.07 thousand	1.07 thousand	1.08 thousand	1.08 thousand
Emerging Market and Developing Economies	6.42 thousand	6.5 thousand	6.57 thousand	6.64 thousand
European Union	444.36	445.13	445.5	446.13
Emerging and Developing Asia	3.62 thousand	3.65 thousand	3.67 thousand	3.7 thousand
Emerging and Developing Europe	379.03	379.6	380.1	380.68
Sub-Saharan Africa	995.21	1.02 thousand	1.05 thousand	1.07 thousand
Latin America and the Caribbean	624.54	630.22	635.92	641.2
Middle East and Central Asia	805.87	820.69	835.62	850.85
World	7.49 thousand	7.57 thousand	7.64 thousand	7.72 thousand

* Estimate

Source: IMF 2021h

In Figure 9, we see a comparison of the impact of the COVID-19 pandemic and the global financial crisis on the GDP of emerging market and developing economies. The impact of COVID-19 was more severe in comparison with that of the global financial crisis, and this fact underlines the more severe long-term socioeconomic effects on emerging market and developing economies (Bello 2020, UNDP 2021).

Figure 9. Quarterly GDP of Emerging Market and Developing Economies, excluding China

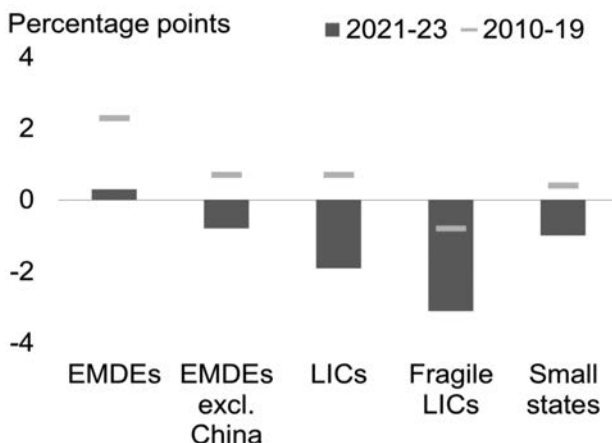


Note: t-1 = 100 for the global financial crisis in 2008Q2; t-1 = 100 for the COVID-19 pandemic in 2019Q4.

Source: World Bank 2021: 22

In Figure 10, we can see per capita income growth for certain regions of developing economies relative to advanced economies for two periods under study, 2010-2019 and 2021-2023. The estimate of per capita income growth is negative for the majority of regions under study for the period 2021-2023, with the exception of Emerging Market and Developing Economies. Even in this case, per capita income growth is going to be lower in comparison with the period 2010-2019. All other regions under study are going to have negative per capita income growth for the period 2021-2023 in comparison with 2010-2019.

Figure 10. Per capita income growth relative to Advanced Economies



Note: EMDEs = Emerging Market and Developing Economies; Fragile LICs = Fragile and conflict-affected LICs; LICs = low-income countries. Relative per capita income growth is computed as a difference in per capita GDP growth between respective EMDE groups and Advanced Economies.

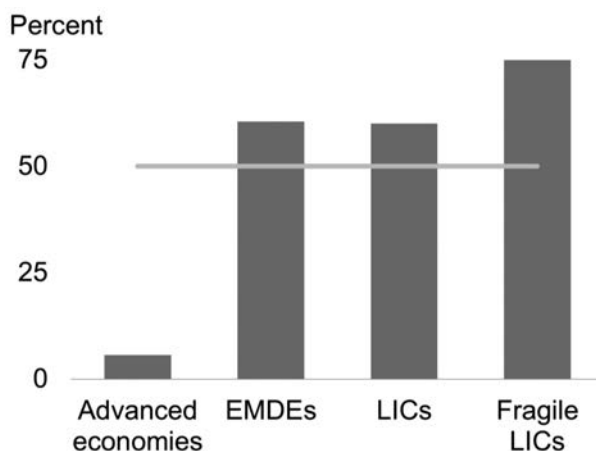
Source: World Bank 2021: 27

Figure 11 illustrates the share of countries with lower per capita GDP levels in 2022 than 2019. The estimate for Advanced Economies is only 5.6%, with lower per capita GDP level in 2022 than in 2019. The percentages for the other regions are the following: emerging market and developing economies, 60.5%; low-income countries, 60%; and fragile and conflict-affected low-income countries, 75%. The above analysis reveals the fragile socioeconomic environment that the majority of the developing countries has to pursue economic policies in with the aim of reducing economic inequalities. We can understand the long-term implications of COVID-19 pandemic for developing economies.

The means to apply measures for the reduction of economic inequalities are limited as a result of the global division of

production and labour. According to Stevano et al. (2021): *The position of Global South countries at the lower end of global value chains has reinforced their dependence on income through commodity exports.* (Stevano et al. 2021: 9)

Figure 11. Share of countries with lower per capita GDP levels in 2022 than 2019



Note: EMDEs = Emerging Market and Developing Economies; LICs = low-income countries; Fragile LICs = fragile and conflict-affected LICs. Sample includes 36 advanced economies and 147 EMDEs, including 25 LICs and 16 fragile and conflict-affected LICs.

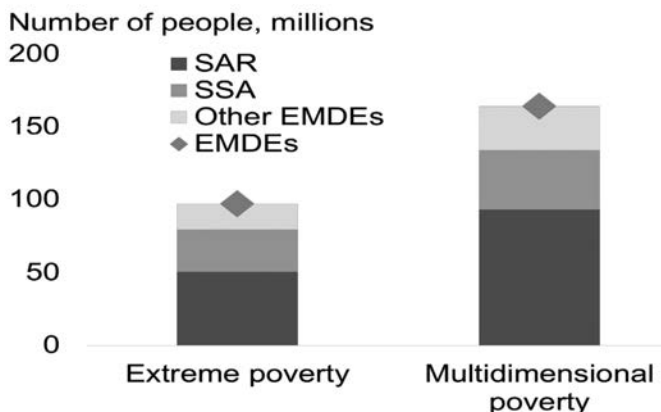
Orange line is 50 percent line.

Source: World Bank 2021: 27

At the same time, Figure 12 analyses the increase in poverty headcounts because of the pandemic by end-2021. As we can see, the region of South Asia has the highest number of people that face extreme poverty (50.1 million) and multidimensional poverty (92.8 million). The region of Sub-Saharan Africa also faces an increase in poverty, as 29.4 million are going to face extreme poverty, and 41.0 million multidimensional poverty. The total amount of people from Emerging Market and Developing Economies that by end-2021 are going to face poverty

stands at 97.0 million as regards extreme poverty and 164.0 million as regards multidimensional poverty. Moreover, other Emerging Market and Developing Economies are going to have the following numbers: 17.5 million extreme poverty and 30.2 million in multidimensional poverty. The World Bank refers to poverty in Emerging Market and Developing economies as follows: *Poverty headcounts are set to rise sharply, especially in Sub-Saharan Africa and South Asia, leaving millions of the world's poorest even more vulnerable to future shocks, including adverse weather* (World Bank Group 2021: 27).

Figure 12. Increase in poverty headcounts because of the pandemic by end-2021



Note: EMDEs = Emerging Market and Developing Economies; SAR = South Asia; SSA = Sub-Saharan Africa. Figure shows the estimated number of people pushed into poverty as a result of the pandemic. This is calculated by comparing poverty using pre- and post-pandemic growth forecasts (Lakner et al. 2020). Extreme poverty reflects the international poverty line of \$1.90/day. Multidimensional poverty also includes deprivations in health, education, and living standards (UNDP and OPHI 2020; World Bank 2020b). Percent increase in multidimensional poverty as a result of the pandemic is estimated to be the same as for extreme poverty.

Source: World Bank 2021: 27

4. *Conclusions*

The study of the political economy of global inequalities under the prism of COVID-19 pandemic led to certain important conclusions. Firstly, the macroeconomic analysis underlined that the implications of the COVID-19 pandemic are the most severe since the end of World War II. Its implications are more severe even than those of the global financial crisis of 2007–2009. The main difference between this crisis and the global financial crisis is that it comes from the health sector and, although it is not an economic crisis with economic causes, it has economic symptoms (Kotios & Roukanas 2021, Maris & Flouros 2021, Maris, Sklias & Maravegias 2021, Jones & Hameiri, 2021). Moreover, the economic crisis caused by the COVID-19 pandemic affected at the same time the supply and demand of the global economy as a result of the limitations imposed on economic activities because of the lockdown (Verschuur et al. 2021, Bianchi, Faccini & Melosi 2020, Binder 2020). The study of the macroeconomic indicators reveals that developing economies were more severely affected than developed economies as a result of their weakness even before the manifestation of the pandemic. Moreover, the economic means for confronting the implications of the crisis were more limited in the case of developing economies. Also, in the coming years developing economies will face greater difficulty in dealing with the fiscal implications of the crisis. The prospect of the developing economies' government debt for the next years shows a path of fiscal consolidation if not in the short term, at least in the medium and long term. Moreover, the prospect of private debt defines the limited economic possibilities for investments in the real economy.

On the other hand, the study of the economic and social inequalities caused by the COVID-19 pandemic reveals that the majority of the world population is going to be affected negatively as a result of the COVID-19 pandemic in the next years,

as regards the level of per capita income growth and of extreme poverty and multidimensional poverty. Closing our analysis, we can underline that the world economy was unequally affected in terms of developed and developing economies. The governments of the developed economies need to understand that the severe impact of the COVID-19 pandemic on developing economies should be encountered with their economic support. Otherwise, the cost of recession in the developing economies may be higher as a result of climate change and migration: *Regarding the climate crisis, the pandemic and its unprecedented impact on our societies and economies demonstrate once more that humanity is particularly exposed to nature-related events* (Stevano et al. 2021: 8).

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