
THE COVID-19 PANDEMIC AND ITS ECONOMIC, SOCIAL, AND POLITICAL IMPACTS

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PREFACE

The liberal–capitalist governance model, which has been in use for many years, has survived to this day through the dominance of individualization and the market, expanding the private sector, while limiting the state and its services. However, through COVID-19, we have all witnessed the results of this economic system. The fact that countries with the largest economies in the world are unable to provide the most basic sanitary materials needed to effectively fight the epidemic, choosing which patients are to be treated and leaving the rest to die, raises the question of how humane existing systems are.

The most successful countries across the globe have continued their economic development strategies, focusing on the sectors that provide superiority and production. Yet, with this structure of long supply chains and globalization collapsing, the need to fill this gap with strict borders and national productivity has become important. States whose functions have weakened, and have had limited service and capacity due to their economies, have faced a major crisis due to this epidemic.

With the COVID-19 outbreak, despite economic developments, we have experienced how health services and agricultural production have been pushed to the limit, threatening humanity in an emergency situation. As a result of the epidemic, we once again understand the importance of our own production—especially agricultural production—that will meet basic needs. We have become aware of how important it is to provide public health services and produce items such as masks, respirators, medicines and vaccines. We have once again experienced the fact that the strategic importance of production can change periodically and according to needs, and we have seen that even though we have money, we cannot buy certain products and services.

The epidemic has made almost all of us equal spiritually, physically and socially at a global level. It has created a new awareness in all areas including health, education, income inequality, poverty, unemployment, migration, the climate crisis, and access to basic human needs. The epidemic has nourished selfishness in one sense, and reduced solidarity. It has caused loneliness, medical as well as psychological problems, and information pollution. The epidemic has taken the fear of death from the individual and spread it through society. On the other hand, it has increased the need for solidarity and strengthened our common sense of fate. Therefore, our need for understanding based on social cohesion has gained more importance. Therefore, there is an increased need for restructuring that will prevent social disruption and panic.

After 1980, the state shrank in relative terms due to the neoliberal effect in Turkey. The global epidemic has come along at a time of economic and social problems. However, thanks to our general health insurance, the number of hospitals, the number of hospital beds, the potential we have in our country and our ability to manage a crisis, we are facing the epidemic under better conditions. However, despite this, there is an increasing need for restructuring that will enable our country to adapt to the new conditions, survive the crisis with the least damage and meet the needs of the 21st century.

What has happened in the economic and social sphere shows that a new paradigm shift is needed. There is an increasing expectation of a paradigm change to build a new economic order based on the principle that needs, wishes, and resources are limited, except for information, rather than the perception of unlimited desires that feed insatiability. In order to survive the process of the crisis with the least damage, it is necessary to restructure industries and the labor markets according to globally rising businesses and professions, all together in solidarity.

On this occasion, I would like to once again thank the valuable academic members of our faculty, who are the editors of this book, and the authors who are working to prepare it. In accordance with our 84 years of experience, our faculty members have not been indifferent to the problems already experienced and still to be experienced in the world and in our country, and they have made predictions by producing alternatives, despite the difficult conditions in which they are working. This book is the English version of the previously published Turkish book with the same title. Of course, this English version is also a preliminary study; and there will be more detail as more data is obtained.

I send my respects, hoping that this book will be stimulating and useful for all...

Prof. Dr., Sayım Yorğun

Istanbul University, Dean of the Faculty of Economics,

INTRODUCTION

“THE COVID-19 PANDEMIC AND ITS ECONOMIC, SOCIAL, AND POLITICAL IMPACTS”

Dilek Demirbař¹ and Veysel Bozkurt²

The recent global outbreak of COVID-19 pandemic caught humanity unprepared. Even as science and technology have developed beyond anyone’s imagination, the pandemic not only unexpectedly affected the social and economic lives of societies but also disrupted individuals’ mental health and well-being. Billions around the world suddenly became prisoners in their own homes, and nearly all economic activities in many countries halted. Repeated supply and demand shocks also caused contractions from production to consumption including across the entire supply chain. Eventually, combating the COVID-19 pandemic will require effective vaccines against the potentially deadly disease caused by the novel coronavirus, and for the first time in generations, countries all over the world do not know what to do.

This book primarily aims to investigate the impacts of the COVID-19 pandemic on economic, social, and political life. The book is composed of the contributions of the members at the Faculty of Economics of the University of Istanbul.

In the first article of the book, “The Effect of the COVID-19 Pandemic on Economic Growth,” igdem Bırke Tunalı evaluates the effects of the COVID-19 pandemic on economic growth both in Turkey and internationally. According to Tunalı’s findings, this pandemic will dramatically affect economic growth rates in both developed and developing countries because governments across the world have introduced strict measures to prevent the spread of the disease; these measures to reduce social interactions between people have already led to significant reductions in the activities of many sectors. Because the severity and duration of the disease will dictate when to return to normal economic life, which will ultimately determine the real effects of this pandemic on the economy, governments should provide support and incentives to the industries that are most in need to help them to recover as soon as possible.

In the next article, “The COVID-19 Global Pandemic and The Effectiveness of Fiscal Policies,” Murat Ustaoglu discusses how some economists have argued that the global economy is fast reaching a state of crisis. He asserts that it is now necessary to assess the efficacy of current fiscal policies to address this potential crisis under different pessimistic scenarios because the structural differences between developing and developed economies affect the efficacy of the different states’ different monetary instruments. For the Turkish case, Ustaoglu applied a multiplier calculation to identify the most effective fiscal policies for the Turkish economy since 1960. Based on his findings, the author recommends the ideal fiscal policies for addressing the approaching crisis.

In their article “The Role of Blockchain in the COVID-19 Pandemic,” Dilek Demirbař and Ahmet Incekara contend that blockchain technology can play a fundamental role in managing the COVID-19 crisis.

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The authors consider that blockchain has opened a new door to groundbreaking technologies with potential impacts on every industry, from finance to manufacturing to educational institutions to health care. They argue that many health and technology experts believe that blockchain technology can be used to obtain reliable big data for use in the fight against COVID-19. Because blockchain offers the ability to store large amounts of data without a single point of failure, owing to its decentralized nature, while providing verifiability, traceability, accountability, and transparency, it provides a permanent audit trail for reliable health data. These data can assist researchers, health-sector supply chain providers, governments, and insurance and drug companies in reducing the negative health and economic impacts of COVID-19.

Ferda Karagöz, in her article titled “An Assessment of the Impact of the Pandemic on Global Supply Chains and Its Potential Outcomes,” has aimed to evaluate the potential effects of the COVID-19 pandemic on the world economy from the aspects of global production and supply chains. The author maintains that the rapid spread of the disease has catalyzed its diffusion across different geographic regions, which in turn led to supply- and demand-side shocks, decreased the predictability of risk, and made it difficult to avoid supply chain disruptions. Furthermore, these disruptions affected not only the firms that operate interdependently along global supply chains but also their linkages with related industries and the countries where they are located. Karagöz considers a range of disruptions to global supply chains processes such as production, transportation, and customs clearance, and she presents varying disruptions in terms of specific firms, industries, and countries in the global production chain. Finally, the author discusses possible measures for altering supply chain dynamics to overcome such disruptions in the future.

Gürel Çetin and Sevinç Göktepe assess COVID-19 measures and forecasts in their article “Effects of the Covid-19 Pandemic on the Tourism Industry,” which they explore both domestically in Turkey and worldwide. The authors found that the disease has affected all industries, but that with the onset of travel restrictions, tourist movement has ceased entirely and the tourism industry is facing a sudden crisis before the start of the season. Çetin and Göktepe determine that it is necessary to strictly obey authorities’ measures for controlling the disease. Within this process, providing incentives and economic support to all sectors, especially the tourism industry, affected by the pandemic will also accelerate the economic recovery after the pandemic. In addition to these national measures, intercountry economic support at the international level may also alleviate the negative effects of the pandemic on the global economy.

In “The Effects of the COVID-19 Pandemic on Social Policies,” Sayım Yorgun emphasizes the increases in both narrow and broad social problems now being experienced in countries that were unprepared for this pandemic. In particular, poverty is increasing, wages are falling, and income distribution is deteriorating, and the rapid increase in unemployment in the coming months will strengthen these trends. Reducing problems and strengthening the social bond are possible through sustainable social policies based on dialogue and proactive regulations to ensure harmony between short- and long-term goals. Basic income will be an important social policy tool that governments will need to implement in the coming months and years.

The purpose of Veysel Bozkurt’s “Working During a Pandemic: Economic Concerns, Digitalization, and Productivity” was to examine the economic anxieties of people who were unprepared for the pandemic, the new digital working order, and the perceived productivity of individuals working online. The data were collected by convenience sampling at a time when the virus was spreading rapidly, and 5338 people, in total, answered the

questionnaire, which asked respondents if they were going to be unemployed or employed after the pandemic. The data showed that a significant portion of the population had become more anxious and depressed, and around 40% of respondents were concerned about meeting their basic needs in the near future. Bozkurt found that the effects of the pandemic were more severe for the poor, unemployed, women, and those with less education than for other groups, with women and disadvantaged groups experiencing the harshest challenges.

Ziya Erdem investigates one particular impact of the COVID-19 outbreak in his article “The Effects of The COVID-19 Outbreak on The Labor Force Market.” According to Erdem, COVID-19 has caused direct effects on the labor market such as death and incapacity and has led to indirect consequences such as quarantine measures, travel restrictions, and social distancing. These effects are both numeric and seasonal, and they have profound economic impacts on the labor market. Although sufficient data set is yet to be obtained for fully assessing the labor market effects of COVID-19, it is possible to make some predictions. For his article, Erdem considers both macro indicators of the disease’s effects, such as population size, working age and non-working age population, dependency rate, labor force participation rate and composition, and occupational mobility and micro indicators such as working environment, hours, and patterns, division of labor, occupational health and safety, leave periods, and absenteeism. He then concludes by noting that although there is a human dimension, the assessments and comparisons of deaths from COVID-19 were based on the economic dimension of the disease and its aftereffects.

In “Work Life After the COVID-19 Pandemic: Current Issues, Predictions, and Suggestions,” Umut Omay suggests that the pandemic caused by Covid-19 has triggered an age of transformation. One of the most important changes occurring in working life is the temporary and precarious nature of employment, given that the pandemic has just begun. Omay considers that the current issues related to working life must be addressed before the future can be more accurately predicted. He identifies two possible outcomes for post-pandemic working life: 1) The pandemic could serve as a catalyst to accelerate the current transformation of working life; or 2) it could lead to significant changes, whether positive or negative, in the future of work life. However, the author concludes that the extent of any post-pandemic transformations in working life will ultimately be determined by the effects of the disease itself and by the measures taken by individual states in response to the disease.

Süleyman Güder, in his article “The Effects of COVID-19 on The International System, and Turkish Politics,” discusses the influence of this disease on international systems, global governance and cooperation, the rise of the nation-state, globalization, and strategic priorities within frameworks. He identifies how COVID-19 has led to critical questioning among individuals in addition to reviewing many practices and policies with respect to state administration and world politics. The main issues Güder addresses include how the pandemic will end as well as its consequences for both Turkish and world politics and how it will affect the future actions taken by governments. He argues that states, national and international organizations, and individuals will inevitably need to reprioritize as all search for a new normal. Güder predicts that the aftermath of COVID-19 will be the start of a new era that features increases in the impacts of public authority on politics and in authoritarian tendencies.

In “The COVID-19 Pandemic and The Digital Transformation in Turkish Higher Education: An Evaluation from the Perspective of Industry 4.0 and Society 5.0,” Metin Toprak, Yksel Bayraktar, and Ayfer Özyılmaz

develop a model compatible with the new-generation digital university concept. Specifically, they rate the digital readiness of universities on a 10-point scale to develop a digitalization index and propose a digital university road map. They emphasize that the systematic transition to online education will require eliminating shortcomings and redesigning measurement and evaluation to include practicum and laboratory work.

In “A Quantitative Look at COVID-19,” Haluk Zülfiyar uses statistical analyses to study the COVID-19 problem from multiple perspectives. He observes that the key feature of the disease—that it is primarily a respiratory tract condition—aggravates already existing respiratory conditions and finds that the disease’s transmission via air droplets together with other triggering factors such as age and gender highlight the significance of densely populated living spaces and broader sociodemographic characteristics. Zülfiyar’s analyses necessitated modeling not only health conditions but also different variable groups and in a multivariate fashion. The author found that during the lockdowns and forced quarantine periods, individuals in the selected countries experienced changes in both sociopsychological and socioeconomic conditions. Zülfiyar also found that in the United States and similar countries, perceptions based on high expectations had prevented citizens from being able to see what was happening. The author found that after the psychological issues, the most important problem individuals experienced was economic difficulties, but he also found that trust in social media declined dramatically, replaced by trust in conventional media such as television. Adults of middle age and older reported following news channels and television shows during the mandatory time at home, whereas younger individuals entertained themselves with digital games and computer activities. Owing to these different entertainment choices, younger individuals became bored during quarantine later than the older age groups.

The last, though not least important, article in the book is by Halim Kazan, who in “Effect of COVID-19 on Market and Businesses” contends that the pandemic has led to decreases in both domestic and global workforces, thus disrupting different sectors and causing instability in the financial markets. This sudden chaotic environment has disturbed traditional market dynamics such that even societal consumption habits have changed. As individuals’ lives have become more isolated, both their social lives and national economies have changed. Halim Kazan discusses basic data about the pandemic and the impacts on different market sectors along with forecasts, and he assesses that, ultimately, time will demonstrate the effectiveness of the initiatives that central banks have taken against the global recession threat, likely by implementing expansionary monetary policies.