

Perspectives for Economic Recovery after the Covid Crisis 19

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The phenomenon of economic crisis is an interval in which the economy has a decline. This may be due either to overproduction (the crisis of 1929-1933) but also to membership in a small group of those who own money. The economic crisis can be assimilated to a series of situations in which certain financial goods lose value. We will show aspects of the crisis due to the covid 19 through the prism of the global economy viewed before the crisis but also during it.

Keywords: crisis, COVID-19 crisis, global economy, economic recession

1. Introduction

The current crisis - called the COVID-19 crisis - has two main aspects, correlated, but which have fundamentally different characteristics from previous crises:

- the crisis in the field of population health, the extent and depth of which varies in the different geographical areas of the globe, the public authorities in the affected countries being responsible, on the one hand, for monitoring the spread of the virus and, on the other hand, having as priority task the solving of the current requirements imposed by the need to eliminate the consequences of the pandemic, as well as the preparation, through appropriate measures, of the specific patrimony of medical treatments for the treatment / prevention of cases of COVID-19 infection, in whatever form it may be;
- the economic crisis that has begun to take shape due to the spread of the pandemic, a crisis that is difficult to estimate in any country or geographical area, both in terms of the sectors of the economy and the degree of their impact in a short time, but also medium and long term.

The shock on aggregate demand obviously has several cumulative causes:

- the incomes of a significant part of the population disappeared or decreased significantly during the pandemic, due to the cessation of activity;
- consumption of households considered non-essential is delayed, both due to the isolation imposed by the authorities to stop the spread of the virus and the impossibility of carrying out certain activities, such as tourism. As an immediate consequence, the incomes of the economic agents involved in the declining activities decrease even more, following the well-known cycle of the recession;
- the collapse of many financial assets, which will reach even zero value, because the companies they represent will go bankrupt even more than in previous economic or financial crises, the pandemic being globalized and its effects overlapping macroeconomic risks already existing.

Deflation is also a negative phenomenon that has been frequently recorded in recent times and combated by most states through appropriate instruments.

Deflation is a continuous decline in consumer prices over an average period of time. At first glance, deflation is favorable to households, because their consumption will be cheaper, but, from a macroeconomic point of view, deflation negatively affects economic growth. Thus, the consolidated tendency of decreasing prices determines the households to

postpone the purchase of durable goods, their diminished demand imposing the decrease of their production / import, which means decrease of the activity and of the collected public revenues (VAT, excises, but also direct taxes: profit tax, income tax, etc.).

The fall in prices in certain sectors of activity (eg high-tech products, such as computers, mobile phones, etc.) does not affect the inflationary process - it is called "sectoral" deflation - because the market for these products is evolving so fast that it does not affect value. gross added value at national and, even less, international level.

Against the background of zero or even negative inflation (average increase in consumer prices), the passive interest rates (on deposits) granted by commercial banks to depositors are very low, zero or even negative. In such a situation, the volume of medium and long-term deposits - the main support of a commercial bank for its lending activity - decreases considerably and continuously, and at the macroeconomic level the activity enters a recession.

According to the IMF definition, a country can be considered in recession if the economic dynamics (annual change in GDP) is negative for two consecutive quarters. The economic recession manifests itself in several directions: the decrease in the production of goods and / or services, the increase in unemployment, the loss of the purchasing power of households, the collapse of stock market values and investments, the negative affectation of public finances (general consolidated budget deficit, public debt).

The economic recession has a major negative impact on economic agents of all categories: enterprises, individuals and households, financial markets, construction sectors and real estate developers, etc.

2. Specific aspects of the COVID-19 crisis

Currently, the economic aspects of the COVID-19 crisis can only be estimated at large margins of approximation, because events are constantly changing.

However, in order to take the most effective measures to counteract the negative impact of the pandemic, public authorities need to know in detail, both in the health and economic systems, the real primary and secondary causes that contribute to maintaining the risk of disease, as well as to the degradation of the economic and financial situations at national, regional and even global level.

In economic terms, highlighting the key factors that triggered and / or maintain the deterioration of the economic characteristics of states must start from understanding their role in the respective conjuncture. In this sense, it is not without interest to compare the current situation with the experience of human society when faced with other crises, be they health, economic or only financial.

If we refer to the health crisis we are experiencing today, it is fundamentally different from the health crises that humanity has faced in the past, if we remember only the great black plague crisis of the fourteenth century, which reaped about three-quarters of England's population, as well as many people on the European continent, and, more recently, the great Spanish flu epidemic at the end of World War I, which killed more people than the just-ending conflagration. Over time, epidemics have occurred, especially in large European urban areas, but their extent and severity have been much smaller.

Compared to the historical crises, the COVID-19 crisis presents some essential differences, which are the basis of the reaction measures of the responsible authorities:

- first, the speed of spread of the virus - even if it was found that there are different strains - which turned the epidemic into a pandemic, the main cause being the globalized economy, which involves multiple transports of people and goods between states, geographical areas and continents. Hence, the natural measure of curbing the epidemic by limiting / prohibiting the movement of the population, but also of goods, the financial consequences being, however, enormous;

- the reaction possibilities of the national sanitary systems, which involved the supply of protective masks and other disinfection products, the endowment with adequate testing equipment, but also the existence or the possibility of rapid creation of sanitary units - even sanitary tents - properly equipped, where to practice specialized medical staff.

In this regard, significant deficiencies have been identified in many countries: the current supply is largely dependent on imports from China or other Southeast Asian countries - and these are hit hard by the Coronavirus crisis -, inadequate supply of medical equipment suitable for lung treatments, sanitary patrimony and insufficient human resources, etc.

Any crisis, regardless of its nature and the causes that generated it, has economic repercussions, their amplitude depending on the area of expansion and the severity of the consequences on the population, as well as on society as a whole.

In order to analyze the characteristics of the economic and social crisis - causes, impact, measures to contain the effects, measures to relaunch economic growth - the triggering factors, the institutional sectors, according to the National Accounts System, affected and the severity of these effects must be highlighted.

The comparison with previous economic and / or financial crises can be useful and, in this sense, the analysis of the most recent financial crisis, the one triggered in the United States in 2007, the so-called “subprime crisis”, is of great interest. As for the extent and severity of the impact, the COVID-19 crisis may be close to that of the subprimes, but the comparison stops here.

The beginning and the course of the two crises - that of subprimes and COVID-19 - differ fundamentally. Thus, the crisis of 2007-2008 first occurred in the United States, when against the background of an increasingly less regulated domestic credit, the American real estate market grew uncontrollably long, until households began to repay heavily mortgages, the offer of housing resulting from foreclosures increased, causing lower prices and entered the negative spiral of non-performing loans.

In order to avoid losses, financial companies have created, on the basis of them, toxic financial securities with attractive interest rates, triggering the contagious effect of the lack of liquidity following the bankruptcy or serious difficulties registered by the big banks involved. Investors in toxic financial securities recorded very large financial losses, which led to a sharp contraction in lending in the real economy and thus aggravated an economic crisis by reducing the proportion of aggregate demand.

The solution to the subprime crisis was the intervention of public authorities, especially monetary ones - in the United States Federal Reserve System (Fed) and in Europe central banks, including the European Central Bank (ECB) - to support large banking companies and / or with a surplus of liquidity, to avoid bankruptcies.

The current COVID-19 crisis of a completely different nature. From its beginnings it is an economic crisis, appeared as a consequence of the cessation of the activity of production of goods and / or services, cessation caused by the necessity of isolating the population at home or in specially arranged spaces to restrict the spread of the virus.

The responsible authorities have faced - and still face - several imperative requirements:

- ensuring the conditions strictly necessary for the functioning of the health system, which meant additional public expenditures in all affected countries;

- the adoption of social measures to avoid unemployment, which materialized by subsidizing a certain proportion of technical unemployment that could not be avoided during the pandemic - which means maintaining the employed without them performing the activity related to the job;

- elaboration and implementation of adequate measures to allow the relaunch of the activity of goods and services. As this crisis is, first of all, a crisis of decreasing production, and therefore of diminishing supply, the most appropriate actions are of an economic nature,

which can be financed by fiscal-budgetary relaxation policies, but, as an immediate consequence, the public budget deficit deepens considerably, and the possibility to cover it can only be the public debt, because during the pandemic it is not possible to resort to an increase of the fiscal pressure;

- the implementation of policies meant to lead to the economic recovery: reductions of taxes and fiscal fees, subsidies addressed to the private sector and large public investments in infrastructure, public financing of the technical unemployment in order to have the labor force necessary for resumption of the activity, etc.

Also, the intervention of central banks is very important both in terms of monetizing public deficits and for maintaining medium and long-term interest rates at attractive levels for business investment. Thus, in times of crisis, the central bank, as a public monetary authority, has a major role in proposing and enforcing legislation in this area, to oversee the functioning of the entire banking system, as well as, together with the public finance system, to develop and implement the mix of monetary and fiscal-budgetary policies to support economic growth.

3. The global economy before COVID 19

At the beginning of 2020, the evolution of the global economy, highlighted by statistical indicators - such as the Gross Domestic Product (GDP) as a weighted average worldwide, the composite Purchasing Manager's Index (PMI), etc., shows an improvement in the pace of growth development, especially in the manufacturing industry and services, amid a slight easing of monetary and financial policies.

At the end of 2019, the group of advanced countries registered a growth rate of GDP that can be considered stable, although slightly lower than forecast, world trade showed a recovery trend. On the other hand, the growth rate of the services sector slowed down slightly, but remained positive due to the resilience of consumer spending, which led to the stability of labor markets, respectively the registration of an unemployment rate at a very low level. In terms of consumer prices, the inflation rate remained low, but food prices showed a weak upward trend, amid trade tensions between the US and China.

PMI analyzes the monthly evolution of the activity of production of goods and services in the manufacturing industry, based on a monthly survey, conducted by the Institute for Procurement Management (ISM), at over 300 manufacturing companies. The PMI algorithm uses several factors, to which it assigns an equal weight: new orders, production, employment, supplier deliveries and stocks, each of which is seasonally adjusted. A PMI higher than 50 indicates the expansion of the production segment of the economy compared to the previous month, and the value below 50 suggests a contraction of the production sector.

The analysis of the monthly fluctuation of the PMI largely influences the confidence of companies and investors, as procurement managers are in the best position to assess the flow and fluctuations of business conditions.

Thus, the composite PMI indicator used by the OECD for this purpose showed an improvement at the beginning of 2020, some of the developed countries - from the euro area Germany, the Netherlands, etc. - as well as five of the major Asian economies - China, India, Indonesia, Japan, Republic of Korea - registering a slight increase for the whole of 2019.

The factors that determined this evolution are both economic and political:

- the significant negative variations produced in the international trade improved slightly compared to the moment of the “trade war” between the United States and China, due to the agreement established between the two states;

- improving the yield of financial securities - and, implicitly, of the conditions of direct financing, but also of banking - due to the perception by investors of a lower financial risk. This behavior led to a slight easing of financial market conditions - lower medium and

long-term interest rates and easier access to credit - which favored the growth of the real economy;

- avoiding a Brexit without an agreement by resuming negotiations between Great Britain and the European Union, after the installation of the new British government;
- lowering tensions in several parts of the globe, such as those between the United States and Iran, those caused by the situation in Syria, etc., positive political events that calmed the fears of businessmen and investors.

Prior to the spread of the CIVID-19 virus in Europe, macroeconomic developments in the Eurozone were considered favorable, mainly due to the above factors, and in terms of the real economy, investment was expected to be high, primarily due to favorable economic conditions, medium and long term financing. It should be noted that investors considered that the risk of recession was decreasing due to the rise in positive interest rates, after a relatively long period of time when they were close to the real negative level.

In the US, although the impact of the vast fiscal-budgetary reform implemented by the Trump administration since 2017 has faded slightly, the annual pace of GDP growth has remained above 2%. The main fiscal measures provided for a permanent reduction of the marginal tax rate for federal income tax to 21%, a gradual reduction of income tax rates, which will end in 2025, and the possibility of tax amortization of 100% of certain investment expenditures in 2018-2022, after which this mechanism will be phased out by 2026. Thus, the US Tax Cuts and Jobs Act passed by Congress has increased the level of budget appropriations for the next two years, estimating that this measure of public financial policy will lead to an increase of GDP by at least one percent in the next two years, which is what happened.

Most states considered emerging - although the term economy or emerging market is imprecise, designating countries that have seen sustained GDP growth for several years in a row, as well as a high standard of social life - they continued to implement monetary easing policies, accompanied by fiscal-budgetary measures designed to support the real economy, stimulating investment and the business environment, to counteract the effects of trade war and politico-military tensions in different parts of the world.

Among the countries that make up the BRICS group - Brazil, Russia, India, China and South Africa - the economic and social evolution until the beginning of 2020 was, in general, weaker than in previous periods, but nuanced.

Brazil

Although the external context was more difficult, the Brazilian economy marked a slight revival (0.9% GDP growth in 2019), the main factor being the increase in domestic demand, along with monetary and foreign exchange policy measures, designed to support lending and improving the current account balance of the external balance of payments.

Russia

The slow pace of economic growth in Russia in at least two years before the COVID-19 crisis was caused mainly of declining revenues from oil exports due to falling world prices, which resulted in a significant postponement of large public investment projects, although there were also notable results: a considerable increase in net international reserves, the replenishment of sovereign wealth funds and a significant reduction in external debt.

India

India has faced significant inflationary pressures, but the opportunities available to public authorities to intervene through budgetary spending policies have been limited by a large and difficult-to-finance budget deficit. In this situation, the monetary policy applied by the competent authorities aims at relaxing the financing conditions both in the short and medium and long term, in order to increase the access to credit of the economic agents.

China

China, the second largest economic power in the world, has seen a slow decline in development in recent years (from 6.9% in 2017 to the lowest level in the last decade, respectively 6.1%) due to contracting exports and declining domestic demand.

To overcome this trend, public authorities have applied a monetary easing policy, by modifying the algorithm for calculating medium and long-term interest rates (Loan Prime Rate) to reduce credit costs and thus support business growth. The Central Bank of China also announced a reduction in the mandatory minimum rate imposed on commercial banks in order to increase the volume of liquidity in the financial system, so that it will be able to provide an increased volume of loans to economic agents.

Other states in South and Southeast Asia

Almost all countries in the region have suffered as a result of strained trade relations between China and the United States, although some states are trying to counteract these consequences through various actions. For example, the Taiwanese authorities by relocating to their island the productive activities of its companies resident on the Asian mainland, replacing the American imports from mainland China with direct imports from Taiwan, etc.

Singapore, which after managing to control the increase of inflationary pressures in 2018, in 2019, when the GDP rate remained stable (0.7%, according to www.statista.com) - the decline in the manufacturing industry was offset by increases in the services and construction - implemented an accommodative financial policy, based not on the active interest rate, but on the exchange rate regime.

Other states, characterized as "tigers / dragons" in Asia, applied monetary measures designed to support the financing of productive activity, trade relations, as well as private and public domestic consumption. Thus, the commercial banks in Indonesia and South Korea have lowered the reference rate several times, and in the Philippines, the central bank has reduced the required minimum reserve ratio four times in 2019 to provide commercial banks with a higher volume of liquidity, necessary to amplify the lending activity of economic agents.

Emerging countries in South America

Emerging countries in South America continued to face a difficult external situation - lower oil prices, trade tensions generated by US policy, etc., but the economic and social situation varied from country to country.

The Mexican economy practically stagnated in 2019, despite a large infrastructure investment plan, but at the beginning of 2020 the relaunch of macroeconomic development was foreseen due to the amplification of private consumption and net exports.

In other South American countries, such as Argentina, Chile, etc. the problems related to the internal political and social tensions persisted, because of that the economic policies - the budget deficit, the public debt, the inflationary process, the internal consumption, the investments etc. - they went into the background.

4. The global economic context after the outbreak of the COVID-19 pandemic

The world has changed dramatically in the first months of 2020, because of the attempt of all states to stop the coronavirus pandemic. A pandemic scenario was raised as a possibility in previous economic policy debates, but no one had a clear idea of the concrete form it would take and its consequences for the economy. We are now facing a grim reality, in which from the exponential progression of the contagion, the number of infected people goes from 100 to 10,000 in just a few days. Unfortunately, many people have died and the virus continues to spread rapidly around the world.

All countries around the world are enduring the enormous impact of the health crisis created by the COVID-19 pandemic, public authorities, analysts and the population becoming aware that we will face a much deeper economic recession than that generated by the financial crisis of 2008-2009. In fact, even the current director of the IMF, Kristalina Georgieva, stated

that “The US is in recession, as is the rest of the advanced economies of the world”. And in a big chunk of developed and emerging markets in developing economies ”, and overcoming this situation can succeed only by applying adequate policy measures in various fields, primarily economic and financial, but also social, technical, etc.

The recession can be defined as a decline in macroeconomic development statistically recorded over a relatively long period of time, generally over a year. The value added in the economy is diminished compared to the previous period, and the decreasing production negatively affects employment. At the same time, the entire economy contracts, and trade in goods and services, as well as financial trade, marks a decline that becomes significant as productive activity is restricted.

Thus, the recession has several negative repercussions, the most important of which refer to: the decrease in production; increasing unemployment; loss of purchasing power of households; considerable decrease in investments, both in the private and in the public sector; deterioration of domestic money and financial markets; the strong negative affectation of the public finances, characterized by budgetary and / or current account deficits and the amplification of the public debt, etc.

The degradation of activity is spreading from one institutional sector to another, and in the contemporary globalized world, from one country to another, so that the economic crisis caused by the pandemic will be felt in all parts of the globe, no matter how affected by COVID-19 virus. Within the country, the real estate market depends on the proper functioning of creditor banks, enterprises achieve added value by producing goods and services that will be absorbed by domestic consumption - households have sufficient purchasing power, due to labor income, financial or from social allowances - as well as exports.

Anticipating a decrease in real incomes determines the population to restrict their consumption to what is strictly necessary and to save, but this prudent behavior will cause the demand to decrease, the productive activity to slow down, the employment to decrease. The financial markets will react by losing investors' confidence, increasing uncertainties and, implicitly, the perceived risks, which will materialize in increasing interest rates, decreasing the volume of loans, entering the declining slope of activity in the real economy.

Thus, if one of the institutional sectors collapses, it pulls the whole economy, stopping such a development being the main reason for the intervention of public authorities - as an example, the strong support by the Fed, the US central bank, of the large banks and financial companies in danger of bankruptcy in case of the subprime crisis in 2008-2009.

Globally, although corporations and even states are in competition, the complexity of trade requires balance, with tensions and even economic crises spreading rapidly across the globe. A recent example is the protectionist policy launched by the US administration, mainly against China, the trade relations between these two major world economic powers deteriorating significantly, but by the effect of contagion affecting many economies in South and Southeast Asia, later feeling including in Africa and Europe.

5. Measures and intervention techniques in order to overcome the crisis caused by COVID-19

The crisis caused by Covid-19 meant a decrease, leading to the complete cessation of activity in many companies, which led to the temporary loss of many jobs. The immediate consequence was a significant decrease in supply, but also in consumption, due to the expectations of the population that incomes would decrease as well as of the companies, which significantly reduced their investments.

In this situation, many companies have closed their doors, and others, in a happier situation, have been able to continue their online activity, although much restricted. In order to save them, public authorities can act in several directions, the partial financing of technical

unemployment, already mentioned, being only one of the solutions and quite expensive for public finances. Instead, the so-called "temporary nationalizations", which have been successfully practiced in the past - a conclusive example is the business support policy pursued by the Margret Thatcher administration - is a solution chosen by several European national governments.

As the pandemic showed signs of calming down and isolation measures were gradually withdrawn, the economy began to show signs of recovery, but uncertainties persist in many countries, including fears of a new pandemic wave.

During the economic downturn, leaders had to ensure that the population could meet their needs and that businesses could resume their activities once the worst periods of the pandemic were over. To do this, they need to take targeted and far-reaching budgetary, monetary and financial measures to maintain economic links between workers and businesses, on the one hand, and creditors and debtors, on the other, and thus maintain the economic and financial infrastructure of the country. In emerging and developing countries, where the informal economy is highly developed, for example, new digital technologies can be used to provide targeted assistance. It is encouraging that the leaders of many countries have reached this unprecedented conclusion by rapidly adopting a wide range of measures.

Global stimulus and providing liquidity mechanisms to reduce systemic tensions in the financial system can boost confidence and prevent an even stronger contraction in demand by reducing the magnification of the shock in the financial system and strengthening expectations of long-term economic recovery. Here, too, the rapid and vigorous interventions of several central banks were decisive and prevented a further sharp fall in asset prices and confidence. In particular, it should be noted the importance of mutual credit lines that have been activated or established between the main central banks to ensure international liquidity.

Quantitative Easing

With the emergence of the major liquidity crisis in the United States financial market in 2007-2008, the US Central Bank (FED) began an extensive program to support American commercial banks so that they could avoid the risk of bankruptcy. The program consisted of the purchase by the FED of bonds secured by high-risk mortgages, thus providing more liquidity in the banking system. This has allowed commercial banks to lend more to the economic agents and, more importantly, to lower and lower interest rates, thus stimulating the growth of the real economy.

The program was called QE (Quantitative Easing) or the Financial Asset Purchase Program, and its example was recently taken by public authorities in many countries around the world in order to eliminate some of the dysfunctions created by the COVID-19 crisis and to promote the resumption of economic growth.

To this end, in order to revive European economies and cope with deflationary pressures, the ECB has proposed to buy, through national central banks, part of sovereign bonds representing public debt, securities issued by private financial institutions in EU countries and securities issued by European agencies.

The main goal is to provide the public authorities in these countries with medium-term sources of financing with low costs, and to enable investors to focus on more profitable financial assets, such as those issued by corporations, which will contribute to the resumption and growth of business in the real economy. To this end, increased attention is paid in monetary policy to the "spread" - or difference - of the interest rate.

The term represents the difference between the actuarial interest rate of a bond and a reference interest rate, which can be: the actuarial rate of a bond with similar characteristics, but with zero coupon or the interest rate of a government bond, considered risk-free.

Interest rate spread

If between the yield of the analyzed bond (the percentage of actuarial gain compared to the nominal value) and the yield of the reference bond is a difference of 1%, it means that the spread between the two rates is 100 basis points.

A small difference, ie a low spread, shows that the two bonds are perceived as having a similar risk, and as the spread increases, it is considered that the financial investment in the considered bonds - which deviates from the reference ones - is more risky, the solvency of the issuer being more precarious.

Currency swap

An important role in the economic and financial crisis looming as a result of COVID-19 is the deterioration of foreign trade, and an essential factor in this situation is the evolution of the currencies of the countries involved. The swap agreement between two central banks means that they make an amount available to each other in their own currency, up to a certain agreed ceiling. The purpose of this type of "swap" is varied: either to balance the current account of the external balance of payments, or to make available to national foreign exchange authorities the amounts necessary for them to intervene in the market and / or to monitor net international reserves. .

Thus, in order to facilitate trade and economic relations between the EU states, the central banks of the euro area and those of the non-euro states (Great Britain, Sweden, Denmark, the Czech Republic, Hungary, Poland, Croatia, etc.) have concluded swap agreements between them. Also, since 2013, the ECB has concluded a swap agreement with China, so that European states have the necessary amounts in Chinese renminbi, and economic agents resident in the Middle Kingdom can carry out commercial and investment contracts in euro currency.

Relocation

The relocation of enterprises, especially those belonging to multinational companies, especially American and Japanese, is an increasingly common phenomenon, the main causes being the trade war caused by the increase of American protectionism against Chinese expansion and the attempt to limit dependence on suppliers of sanitary products, intermediates, etc. from Southeast Asia.

According to the "low-cost" criterion, mainly in terms of labor costs, the subsidiaries of American and Japanese multinationals have moved their headquarters to countries where average wages are much lower - first in Indonesia, then in Vietnam, Malaysia, Thailand, Cambodia etc. Recently, India offers important opportunities to replace the "made in China" label with "made in India".

The indebtedness

The indebtedness of the public authorities is considered unavoidable in the conditions of the COVID - 19 pandemic, both to adequately cover the medical needs, and to support the economic recovery after the crisis, in fact the recession created by the pandemic.

With these priority objectives, public authorities, including those of the European Union, have officially abandoned the budgetary orthodoxy - the budget deficit allowed to be lower, at most equal to 3% of GDP and the effective public debt to be lower, at most equal to 60% of GDP -, allowing Member States to record budget balances well above the level considered sustainable and the contracting of public debt well above the ceiling that can be repaid without disturbing the national economy.

The recovery of the economy is, in this situation, threatened from different directions. First, the precarious conditions for the resumption of the current activity, caused by several factors: in the real economy, the work schedule of the employees, the resumption of the relations with the suppliers, the restoration of the operative sources of financing, etc.; in the public sector, the need to provide financial and economic support to the health system, while supporting economic agents to be able to resume previous productive activity. Secondly, the

contractual obligations regarding the public debt, which must be honored with the observance of the conditionalities inscribed in the international treaties.

6. Public authorities intervene for economic recovery - some examples

Faced with the coronavirus crisis, the authorities of highly developed states are developing various economic recovery projects and one of the proposals refers to a scheme to help the countries most affected by the current pandemic, a scheme similar to a new Marshall Plan. Deployed by the United States following World War II, the Marshall Plan celebrates its anniversary of its entry into force on April 3, 1948, in a tense international context.

Historical references multiply in the statements of political and economic leaders: after representatives of Italian employers called on the European Commission for strong Community measures to avoid the "Great Depression", citing as an example the Marshall Plan and its beneficial consequences for Western European economies. they accepted and used to remove the consequences of the destruction caused by World War II.

The Marshall Plan provided strong support for European integration: the distribution of funds was made by the Organization for European Economic Cooperation (OECD) set up for this purpose in 1948. The sixteen member states negotiated an agreement on the multilateral payment system, then the relaxation of trade restrictions, thus laying the foundations for European economic cooperation.

The Marshall Plan remains in the collective memory as synonymous with a massive and prolonged commitment with the main objective of European reconstruction. While the coronavirus crisis raises the issue of solidarity between the 27 EU Member States very directly, Ursula von der Leyen, President-in-Office of the European Commission, did not choose the reference to the Marshall Plan at random, stressing that "the instrument of European solidarity our budget is strong".

European Union and Eurozone

Although each country has been affected differently by the health crisis, across the European Union, including the Eurozone, national economies have seen significant declines, so that by 2020 a fall of about 9% of GDP in the European Union is expected, and the economic recovery in 2021 will be difficult and will depend both on the evolution of the pandemic and on the interventions of the national public authorities, as well as of the European institutions.

In this regard, the European Commission has proposed the creation of a Recovery Fund, of which two thirds will be transferred in the period 2021-2024 to all Member States under the 2021-2027 budget envelope, and one third will be distributed in the form of loan at the request of national public authorities. The fund is to be financed through a bond issue on behalf of the European Union on the international financial markets.

United States of America

Albeit initially less affected, the United States is facing a severe form of the Coronavirus epidemic, and sanitary isolation and physical distancing measures have led to the largest decline in activity since World War II, according to US Federal Reserve estimates. In support of the federal and state economies, financial institutions: the US Treasury and the FED's central bank, as well as the state public authorities, are implementing a number of tools and programs designed to overcome the negative effects of the current health crisis.

Thus, the FED has repeatedly decided to lower the federal interest rate reference rates to stimulate medium-term lending, reduced the discount rate to support short-term financial flows, and reduced the minimum reserve ratio up to 0%, to leave as much liquidity in the market as possible.

The US Treasury intervened by buying debt securities, both sovereign (public), and private through the QE mechanism to unblock the financial activity and, implicitly, the economic activity of public authorities and corporations.

Given that the US dollar is the most widely used currency in the international arena, foreign exchange swap agreements have been concluded between the FED and many central banks to streamline global trade in goods, services and finance.

At the same time, both the Treasury, the FED and the state authorities have created and implemented numerous financing programs - repo operations (securities pension), the purchase of treasury securities on the primary and / or secondary market, grant loans guaranteed by securities issued on the basis of assets, redemption of municipal loans, etc. intended to support the financing of public institutions and corporations.

China

China was the first country to see a widespread spread of the COVID-19 epidemic, but it was also the first to implement a comprehensive program of very strict measures to limit the pandemic and eliminate the effects of the virus since February a.c. As a result, activity resumed in the second quarter of this year, but many sectors remain vulnerable: export-oriented industries - affected not only by the health crisis but also by trade tensions between China and the US -, tourism, but also domestic consumption caused by the declining demand from enterprises, especially small and medium - sized ones, as well as the demand of the population, affected by the decrease of the employment and income.

Public authorities reacted quickly to support in order to reach the situation before the epidemic situation. The central bank has taken steps to meet the demand for liquidity from the financial sector: it has relaxed refinancing and lending conditions for commercial banks, encouraging them to cover the treasury needs of enterprises and refinancing their current loans in order to avoid as much as possible of situations of financial imbalance and / or bankruptcy.

The most intensely used tools by public authorities were - as a constant of Chinese public policies - those of fiscal-budgetary policy, meant to help the most severely affected sectors and companies, as well as to stimulate the relaunch of employment, increase the income of the population and, implicitly, domestic demand.

The financing of these measures is ensured directly, through budgetary allocations, as well as from various accounts outside the public budget: social security houses; public funds fed by special bond issues; funds specific to local authorities, etc.

Expenditure on these financings is covered by an increase in public debt, expressed almost exclusively in the national renminbi currency, the share of public debt in GDP rising to levels that can be considered acceptable - for example according to European stability criteria - of 20% of government debt and about 50% that of local authorities.

The implementation of budgetary policies is achieved primarily through public investments in infrastructure projects: roads, energy, etc., but measures in favor of the private sector have progressed prudently. To these can be added fiscal policy measures, such as exemptions and reductions in social taxes and fees, changes in the rates of social security contributions and unemployment insurance, etc.

Japan

The health crisis has deepened the imbalances of the Japanese economy, which already was deteriorated before the pandemic, so economic indicators predict a recession in 2020. To combat the negative effects of the current crisis, the Japanese government is implementing a comprehensive program to support households and businesses, as well as local public authorities. The financial coverage of this program is also done by resorting to public debt, as in the past. In this situation, the share of Japan's public debt in GDP - the largest in the world - is estimated to exceed 250% of GDP, but as it is almost entirely domestic debt, the pressure on public finances can be borne.

On the other hand, the Central Bank of Japan is implementing significant QE interventions, with which it is successfully streamlining financial flows.

7. Conclusions

The current crisis represents a shock to both supply and aggregate demand, which makes the current economic and financial risks to be considered much more dangerous than those perceived in previous crises. Thus, the consequences of job closures, which proved to be essential for curbing the spread of COVID-19 virus, had a significant negative impact on the supply of goods and services for a period that can only be determined very approximately.

This crisis is different from any other. First of all, the shock is violent. The production losses associated with this health emergency and the measures taken to control it are probably much higher than the losses that triggered the most recent global financial crisis, namely the subprime crisis triggered by the US in 2007. Secondly, as in the case of a war or a political crisis, the duration and intensity of the shock remain extremely uncertain. Thirdly, under these conditions, economic policy plays a very different role.

During regular crises, leaders try to encourage economic activity by stimulating aggregate demand as quickly as possible. This time, the crisis is largely the consequence of the restrictive measures that had to be taken. As a result, stimulating activity becomes more difficult and, at least for the most affected sectors, undesirable.

The forecasts for the global economy made by economic analysts from the most prestigious institutes reflect the current understanding of the evolution of the pandemic and the public health measures that need to be taken to slow the spread of the virus, protect populations and enable health systems to cope.

In this regard, valuable information has been gathered from epidemiologists, public health experts and infectious disease specialists working on COVID-19 treatments. However, there is great uncertainty about these forecasts, as well as the pandemic itself, the general macroeconomic downturn and the resulting tensions in the financial and commodity markets.

It is very likely that the world economy will experience the worst recession since the Great Depression of 1929-1933 and a deeper recession than that observed during the global financial crisis a decade ago. According to forecasts, "great isolation" should lead to a sharp macroeconomic decline.

A partial recovery is planned starting in 2021, with growth rates higher than the trend, but the level of GDP will remain below the trend before the virus appears and the strength of the recovery is very uncertain. Much worse results are possible and perhaps even probable.

This will be the case if the pandemic and the implementation of containment measures take longer, and emerging and developing countries will be much more severely affected if financial conditions remain restrictive and / or the consequences are felt on a much larger scale because of business closures and prolonged unemployment.

This crisis will have to be managed in two stages: a phase of containment and stabilization, then a phase of recovery. In these two phases, public health policy and economic policy are decisive.

Quarantine, social restraint and distancing are essential measures to slow down the transmission of the disease, to give the health system time to cope with the increased demand for its services and to save time for development, investigations and treatments. These measures can help prevent an even more serious and prolonged collapse of the business and can lay the foundations for an economic recovery.

Increasing health spending is essential to ensure that healthcare systems have the necessary capacity and resources. Special provisions must be considered for health professionals who are at the forefront of the fight against the pandemic, as well as increased education allowances, allowances and / or generous benefits for survivors and descendants.

Throughout the pandemic and possibly after the crisis, the economic landscape will undergo profound changes, characterized by a more active role for states and central banks in the economy. Advanced countries with strong governance capacity, well-equipped and

functional health systems and the privilege of issuing reserve currencies are relatively better equipped to deal with this crisis.

On the other hand, several emerging and developing countries that do not have the same assets and are simultaneously suffering from a health, economic and financial crisis will need the help of advanced countries that are their bilateral creditors and international financial institutions.

Multilateral cooperation will be essential. In addition to sharing equipment and skills to strengthen health systems around the world, it is necessary to ensure globally that both rich and poor countries have immediate access to treatment and vaccines for COVID-19 when they are developed.

The international community will also need to increase financial assistance to many emerging and developing countries. For countries that have to repay large debts, it may be necessary to consider moratoriums or debt restructuring.

Finally, consideration should be given to measures that could be taken to prevent the recurrence of such a pandemic. Improved global public health infrastructure - with stronger and more automated exchange of information on exceptional infections, faster and more widespread testing, constituting global stocks of protective equipment. Local, regional and national policies and implementation of protocols for waiving restrictions on essential goods trade - could make public health and the global economy safer.

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