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GLOBAL HEALTH CRISIS – A MOMENT OF BALANCE FOR GLOBAL EVOLUTION

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Abstract

This material aims at a brief analysis of the economic and social realities and perspectives in the extremely complex conditions of the health crisis caused by the pandemic generated by SARS-CoV-2 coronavirus. After 2019 having been a complicated year, both politically and economically, with profound changes at the political, economic and geopolitical level, 2020 promises to be full of challenges from the economic, social and political perspective. The European and global economic relaunch was estimated at the end of 2019. The USA presidential elections of November 2020, with Donald Trump at the forefront, and Great Britain exit from the European Union entailed at great fears for a complex year. The 2019–20 pandemic of coronavirus, also known as the Wuhan coronavirus, began on December 12th, 2019 *in the center of* Wuhan*,* China*, when a group of people with unknown pneumonia was reported (an event mainly related to stall owners working at the* Huanan *fish market, who also sold live exotic animals). Subsequently, Chinese scientists isolated a new* coronavirus*, called* 2019-nCoV*, which was found to be at least 70% similar in the SARS-CoV gene sequence*[2]*. Therefore, 2020 became a year marked by a unique global health crisis in the past one hundred years.*

Keywords: *pandemic, public policies, economic policies, monetary policies, health crisis.*

[2] Hui, David S.; Azhar, Esam EI; Madani, Tariq A.; Ntoumi, Francine; Kock, Richard; Dar, Osman; Ippolito, Giuseppe; Mchugh, Timothy D.; Memish, Ziad A.; Drosten, Christian; Zumla, Alimuddin (14 ianuarie 2020). „The continuing epidemic threat of novel coronaviruses to global health – the latest novel coronavirus outbreak in Wuhan, China". *International Journal of Infectious Diseases* (în English). **91**: 264–266.

Introduction

It happened in the middle of December, somewhere in China and nothing has been the same since then... Starting with January, new year 2020 has not looked like anything we knew. People are getting sick quickly and international bodies are proving to be unprepared for the events that follow one another very quickly. The first cases of SARS-Cov emerge in Romania in February – March 2020. Isolation and personal hygiene measures are established, as well as measures to limit the trafficking of goods and persons. The state of alert was established, and very soon after, the state of emergency, in most countries. Several countries were excepted from these measures, based on the hypothesis of self-immunization of the population. The establishment of conflict situations led to the blocking of the activity of many companies. The most affected sectors were tourism and transport by the paralysis of hotels, restaurants, bars and cafes. Everything that yesterday meant the field of hospitality, as well as the related infrastructure, suddenly stopped, by leaving a lot of employees at home. Several sectors have adapted quickly by work from home or on-line sales.

Europe was hit[3] by the wave of diseases in January 2020. The most affected states were Italy and Spain. The European bodies, still slow in making decisions, begin to feel the need for economic recovery measures.

1. Brief history of pandemics throughout history

Pandemic is an epidemic occurring worldwide or over a very wide area, crossing international boundaries, and usually affecting a large number of people.[10] Pandemics can also occur in important agricultural organisms (animals, crops, fish, tree species) or in other organisms. It must also be infectious[4].

As humans have spread across the world, so have infectious diseases. Even in this modern era, outbreaks are nearly constant, though not every outbreak reaches pandemic level as COVID-19 has.

[3] https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response_ro

[4] Miquel Porta (2008). Miquel Porta, ed. Dictionary of Epidemiology. Oxford University Press. p. 179. ISBN 978-0-19-531449-6. Visited on 12.11.2020.

Disease and illnesses have plagued humanity since the earliest days, our mortal flaw. However, it was not until the marked shift to agrarian communities that the scale and spread of these diseases increased dramatically.

Widespread trade created new opportunities for human and animal interactions that sped up such epidemics. Malaria, tuberculosis, leprosy, influenza, smallpox, and others first appeared during these early years.

The more civilized humans became – with larger cities, more exotic trade routes, and increased contact with different populations of people, animals, and ecosystems – the more likely pandemics would occur[5].

The following table shows some of the deadliest pandemics in history, from cholera to the current COVID-19 event.

No.	Name of pandemic event	Period	Type/Pre-human host	Death toll (millions)
1	Black Death (Bubonic plague)	1347-1351	Bacteria/ rats	200
2	New World Smallpox Outbreak	1520 - onwards	Variola major virus	56
3	Great Plague of London	1665	Bacteria/ rats	1
4	Cholera Pandemics	1817-1923	V. cholerae bacteria	1+
5	Italian plague	1629-1631	Bacteria/ rats	1
6	Russian Flu	1889-1890	Believed to be H2N2 (avian origin)	1
7	Spanish Flu	1918-1919	H1N1 virus / Pigs	40 -50
8	Asian Flu	1957-1958	H2N2 virus	1.1
9	Hong Kong Flu	1968-1970	H3N2 virus	1
10	HIV/SIDA	1981-Present	Virus/ Chimpanzees	25-35
11	Swine Flu	2009-2010	H1N1 virus / Pigs	0.2
12	SARS	2002-2003	Coronavirus / Bats, Civets	0.00077
13	Ebola	2014-2016	Ebolavirus / Wild animals	0.011
14	Swine Flu	2009-2010	H1N1 virus / Pigs	0.2
15	COVID-19	2019-present	Coronavirus – Unknown (possibly pangolins)	1.29

***Note: Many of the death toll numbers listed above are best estimates based on available research*.**

Source: https://www.medic.chat/articles/cronologia-pandemiilor/

Despite the persistence of disease and pandemics throughout history, there's one consistent trend over time – a gradual reduction in the death rate. Healthcare

[5] https://www.visualcapitalist.com/history-of-pandemics-deadliest/

improvements and understanding the factors that incubate pandemics have been powerful tools in mitigating their impact. Fortunately, human understanding of the causes of the disease has improved over time, making the response to modern pandemics more dynamic.

2. Economic support measures

While the World Health Organization seemed somehow indecisive in its actions, the same cannot be said of the European Commission, which has been activating the civil protection mechanism for the repatriation of the European Union citizens since January. In February, the European Commission EC announced a first support package amounting to EUR 232 mio. The immediate response of the European Commission has resulted in measures to mitigate the socio-economic impact of the pandemic, by using a number of tools, such as:

1. state aid,
2. flexibility of the European budgetary framework,
3. the provision of liquidity to the banking sector,
4. the funding of researches to find a vaccine against the virus in Europe

By using a series of projects, the European Commission aims to restore capital markets to encourage concrete investment in economy, rapid recapitalization of enterprises and the ability of banks to finance the recovery.

Therefore, by means of the SURE instrument, it tries to protect jobs and employed people. The instrument for temporary support to mitigate unemployment risks in an emergency set up for Western Balkans– SURE – to help people keep their jobs during crisis. The Council adopted the proposal on 19 May. The instrument will become available as soon as all Member States provide their loan guarantees. SURE provides Member States with a funding of up to EUR 100 mio, thus covering a part of the costs of setting up or extending national technical unemployment programs until December 31st, 2022, with the possibility of further extension. Furthermore, on July 16th, the European Commission presented guidelines meant to ensure the protection of seasonal workers within the European Union in the context of the pandemic.

By following these guidelines, Member States authorities, labor inspectorates and social partners could guarantee the rights, health and protection of seasonal workers and make sure that seasonal workers know their rights[6].

3. Economic and social policy measures

All states around the world[7] are being forced to come up with concrete measures to help companies and guide them by means of a prompt action plan. The measures taken by Romania seem to be quite similar to those taken at the level of other Member States of the European Union. Some of them are taken into account in the analysis, provided that each of the countries presented below are also implementing other measures, some of them already announced and published, others that are still being worked on.

Italy, the country hardest hit by the pandemic in spring 2020, has authorized a moratorium on mortgages. Assistance is provided for the payment of the services. At the same time, Italy adopts the deferral of all utility payments (water, gas and electricity) until April 30th. In addition, the interest for small and medium-sized enterprises is reduced for 12 months and taxes deferral is considered.

Spain introduced the economy stimulus plan based on a budget of EUR 18.23 billion and, at the same time, supplemented the budgets of local governments (EUR 1 billion) and social services (EUR 25 billion). Furthermore, 3-month tax deferral was introduced. For the tourism sector, which is very affected, a budget of EUR 400 mio is allocated.

France provides deferrals of the payment of taxes and social securities, as well as tax credits for the affected companies (further reduction of taxes for directly affected companies). Furthermore, money is offered for SMEs and the intention to secure payments to employees who cannot work from home has also been announced.

Germany provides loans of up to EUR 1 billion which can be accessed for more than 5 years, less than 5 years or for an unspecified term, by large companies, SMEs and certified natural persons, with a maximum loan equivalent to 25% of the income of 2019 or twice personnel costs, taking into account the financing needs over a period of 18 months for

[6] https://ec.europa.eu/commission/presscorner/detail/ro/ip_20_1342
[7] https://www.ey.com/ro_ro/covid-19/ce-m_suri-economice-i-fiscale-au-inceput-s-ia-rile-pe-perioada-crizei

small and medium-sized companies and 12 months for large companies. As far as employees are concerned, the state provides financing of up to 67% of the net salary and limits are imposed for high-paid employees.

Austria announces the implementation of a state aid scheme that would provide 4 billion euros for companies that have reduced their income as a result of the pandemic. The implementation of a financing scheme for companies with operations in Austria is also being considered.

There was adopted the possibility to reduce the working hours to 10% of the previous working hours (up to 90%) during 3 months. The employee is entitled to the continuity of remuneration, amounting to 80 up to 90% of the previous net remuneration (net compensation rate), which must be paid by the employer. However, the employer only bears the costs for the for the hours actually worked during short-term work (for example, if the employee works only 10%, the employer bears costs amounting to 10% of the net compensation rate). The amount representing the difference between the pay for the time worked and the net compensation rate is to be compensated by NEA (the National Employment Agency). Thus, there is a strong financial support provided by NEA, which will help the employer to maintain employment contracts.

Finland has also announced a series of measures in the background of the pandemic, namely, taxpayers may request an extension for filing corporate tax returns or they may request certain methods of payment of the related taxes. Similar to the measures implemented by other states, no penalties will be levied for late filing of VAT returns. Another important measure consists in the reduction of the social security paid by the employer by 2.6%, a measure that will be implemented no later than June 1st, 2020 and will be valid until December 31st, 2020.

The Netherlands has proposed the deferral of the payment of taxes, without charging penalties for the failure to pay in the next period. In some cases, the penalty for the late filing of the returns is reduced from 4% or 8% (special cases), to 0.01%. For the most affected companies, those with a turnover reduction greater than 20%, funds are offered that cover up to 90% of the employees' salaries (depending on the turnover reduction).

This state aid is available for a period of 3 months, with the option to be extended for another 3 months. The state budget is increased from 400 million euros to 1.5 billion euros.

Portugal has introduced a credit line of 3 billion euros for companies affected by COVID 19 (a company can benefit from up to 1.5 billion euros). The companies affected by the crisis, which do not lay off their employees, can trigger a simplified dismissal, more precisely, the employees will receive 2/3 of the salary (70% paid by the state and 30% by the employer).

From the European Economic Area, Norway has introduced a measure regarding the corporate tax, so that companies reporting losses in 2020 can offset them with 2018 or 2019 profits. The date for the payment of the second installment of the corporate tax was deferred, from April 15th, 2020, until September 1st, 2020 and the payment of the social security contribution of the employers, from May 15th, to August 15th, 2020. Other measures envisaged concern VAT, namely the temporary reduction of the VAT rate for passenger transportation, accommodation and museums (from 12% to 8%, until October 31st, 2020) and the deferral of the VAT payment (from April 14th, to June 10th). Furthermore, a state guarantee scheme was introduced for new bank loans for small and medium-sized enterprises that record losses as a result of Covid-19. The days paid for the care of children are doubled to 20 days (the employers must pay 3 days, and the state pays the rest).

Romania has also implemented a series of similar measures, such as:

- the bonus for the advance payment of the corporate tax/income tax in case of micro-enterprises;
- the deferral of customs VAT payment for the importers of testing kits, medicines and protective equipment for COVID-19;
- the deferral, from March 31st to June 30th, 2020, of the payment deadline for the building tax, for the property owner's tax, respectively the tax on the means of transport, as well as of the deadline for granting the bonus for the advance payment;
- no interest and late payment penalties will be calculated for the fiscal obligations due after the enforcement of GEO 29/21.03.2020, unpaid until the expiry of a term of 30

days as of the date of the cessation of the state of emergency, respectively May 16th, 2020;

- the modification of the value of the advance partial payments for taxpayers who declare annual corporate tax – Art. VIII of GEO no. 29/2020. Taxpayers can make partial payments due in 2020, based on the value of the profit calculated for the first quarter of this year;
- the technical unemployment benefits will be able to be reimbursed from the unemployment insurance budget, up to the limit of 75% of the average gross salary (RON 5,429), for the employers that reduce or temporarily cease the activity, totally or partially, during the state of emergency;
- days off granted to parents for the supervision of children, in case of temporary closure of school, for all business days during the state of emergency with an allowance of 75% of the gross monthly salary, but not higher than 75% of the national average gross monthly salary;
- aid for SMEs in the form of deferred payments for utility services: electricity, natural gas, water, telephone and internet services and the payment of the rent, as well as state guarantees for loans and other grants.

The various measures of partial lockdown in response to coronavirus, as mentioned earlier, have stopped economic activity in certain sectors (i.e. tourism, HORECA) and severely disrupted it in many other areas (especially in the sector of services, industrial production, transport). Potential job losses and corporate bankruptcies were (and still are) likely to create major economic tensions for millions of people in Europe and around the world. For this reason, all states have intervened urgently by adopting fiscal, monetary and macro-prudential measures to counter the effects of the pandemic. In the euro area, the ECB responded with strong monetary policies and specific surveillance measures. The governments within the EU started to announce and implement various fiscal measures to counter the economic impact.

4. Fiscal measures

According to Fitch Ratings analysis[8], by using a broad definition of fiscal support, including measures and direct guarantees of fiscal easing, Germany, Italy and the United Kingdom announced more than 20% of GDP total fiscal support, closely followed by France (17.5%). For the four largest countries of the euro area, as well as for the United Kingdom, more than 70% of the total fiscal response is made up of government guarantees. In what concerns the emerging markets, the fiscal response was more limited in most countries, with only a few exceptions, including Poland (which has adopted important fiscal packages, of about 9% of the GDP), as already shown in the previous paragraph.

Also from a fiscal perspective, a comparison published by the Bruegel reflection group[9] confirms important differences in the amplitude of the discretionary tax responses of EU, United Kingdom and the United States of America.

The study is based only on the measures adopted (therefore without taking into account those currently under discussion). The authors classify the discretionary fiscal measures into three categories: immediate fiscal impulse: additional government spending (such as medical resources, keeping people employed, subsidising SMEs, public investment) and foregone revenues (such as the cancellation of certain taxes and social security contributions). These types of measures immediately lead to deterioration of the budget balance without any direct compensation later;

- **Deferrals:** several countries have decided to defer certain payments, including taxes and social security contributions, which in principle should be paid back later. These measures improve the liquidity positions of individuals and companies but do not cancel their obligations. Therefore, these measures cause deterioration of the budget balance in 2020, but improve it later. A few countries have also deferred the servicing of loans or the payment of utility bills, which are also important tools in improving the liquidity positions of those impacted and hence we include them. These measures also have budgetary implications. Even if the loans were granted by private banks and utilities are

[8] https://www.fitchratings.com/research/sovereigns/coronavirus-macro-policy-responses-unprecedented-03-06-2020
[9] https://www.bruegel.org/publications/datasets/covid-national-dataset/

provided by private providers, the budget balance will deteriorate in 2020 because of lower profits and consequent taxes, but will improve later;

- **Other liquidity provisions and guarantees:** these measures include export guarantees, liquidity assistance, credit lines through national development banks. Some of these measures improve the liquidity position of the private sector, but unlike deferrals which are automatic and generally apply to the target groups, credit lines require action from the impacted companies. Credit lines and guarantees might not weaken the budget balance in 2020, but would create contingent liabilities which might turn into actual expenses either in 2020 or later.

Other measures include faster VAT refund, suspension of enforcement of outstanding debtors, deferral of the property tax by three months, by maintaining the 10% bonus. All these are supplemented by loan guarantees for SMEs of about 15 billion lei. As the effects of the pandemic have been severe for most European economies, the important differences presented above in terms of the size of national fiscal support packages actually highlight the existing limitations on the fiscal space available to adapt the support programs.

No.	Country	Immediate fiscal impulse (%)	Fiscal payment deferrals (%)	Other liquidity/guarantee[10] (%)	Last update
1	SUA	9.1	2.6	2.6	27.04.2020
2	UK	8.0	2.3	15.4	16.07.2020
3	Spain	3.7	0.8	9.2	23.06.2020
4	Italy	3.4	13.2	321	22.06.2020
5	France	4.4	8.7	14.2	18.06.2020
6	Germany	8.3	7.3	24.3	4.08.2020
7	Belgium	1.4	4.8	21.9	3.06.2020
8	Denmark	5.5	7.2	4.1	1.07.2020
9	Netherlands	3.7	7.9	3.4	27.05.2020
10	Portugal	2.5	11.1	5.5	4.05.2020
11	Greece	3.1	1.2	2.1	5.06.2020
12	Hungary	0.4	8.3	0.0	25.03.2020

Source: https://www.bruegel.org/pulications/datasets/covid-national-daraset/

In Romania, the fiscal-budgetary measures announced by the Government represents between 1.5 and 2% of the GDP (the estimate belongs to the Fiscal Council) for the current

[10] Other liquidity/guarantee category includes only government-initiated measures and shows the total volume of private sector loans actually covered

year and mainly include: additional funds for the health system, technical unemployment of 75%, including partial coverage of the salaries of self-employed, deferral of payment of taxes during the state of emergency and another 30 days after its cessation, shows an analysis performed by the National Bank. Given this situation, the European solidarity is an important support for Member States with a less developed, smaller or struggling economy in terms of macro balances and access to financial resources that could be mobilized independently.

5. Monetary policy measures

Fiscal programs have been supported from the outset by monetary policy measures adopted by central banks, which have resorted (in most cases) to a wide range of instruments (both classical and unconventional): starting with ensuring market liquidity and currency in circulation, by continuing to reduce monetary policy interest rates and mandatory minimum reserve rates, and in some cases, reaching a variety of operations to purchase financial assets aimed at maintaining liquidity in the respective markets (i.e. in case of the NBR) and/or further relaxation of monetary conditions (i.e. in case of the ECB).

The responses of the central banks have been as impressive as those of governments, the main instrument used in case of banking systems of the developed economies being the new quantitative easing programs (their impact being global, not only at national level, due to the role played by the central banks issuing reserve currency in the international financial system), as well as a large variety of new credit facilities. In case of emerging economy countries, taking into account specific macroeconomic features (and vulnerabilities), the most widely used instrument has been a large reduction in the interest rate.

Several central banks in emerging economies have also initiated bond buying programs, in which case the focus is sometimes rather on market stabilization (maintaining liquidity, calming price volatility and asset yields), rather than on increasing balance sheet and money supply in the broadest sense. In monetary and financial terms, the NBR has taken a series of decisions to gradually reduce the monetary policy rate from 2.5% to 1.5%

and to reduce the rate of mandatory minimum reserves for eligible liabilities denominated in foreign currency. The NBR acted throughout the crisis in order to ensure the necessary liquidity of credit institutions by repos (mainly on a bilateral basis), the daily average of the stock of these operations being, for example, at about 1 billion lei in July and 636 million lei in August. At the same time, the central bank purchased government securities in lei from the secondary market, the total volume of which reached almost 5.3 billion lei at the end of August (since the beginning of the crisis).

In addition, the Government has adopted, after consultations with the Central Bank, measures to defer the payment of installments for households and businesses affected by COVID-19 for a period of up to nine months.

6. Macroprudential measures

Fiscal support measures and monetary policy measures meant to support the overcoming of the adverse effects of the current crisis and the resumption of the economic growth are supplemented at both national and European level by macroprudential measures aimed at strengthening the financial system capacity to withstand the crisis and support the economy by means of the proper performance of all its functions.

The experience from previous crisis has also shown that, sooner or later, the financial system is affected by the deterioration of the liquidity and solvency of the population and non-financial corporations (almost inevitable effects, despite financial and monetary incentives, even if they have a lesser extent due to them), as well as by the fact that restoring normality in economy and resuming growth are very difficult in the absence of a proper functioning of it. At the European level, the macroprudential response is coordinated by the European Systemic Risk Board (ESRB), in collaboration with the three European Supervisory Authorities and with the national macroprudential authorities.

7. Conclusions

Unfortunately, at the time of writing this article, humanity is facing, after a period of lull, the second wave of the pandemic, with a much more aggressive manifestation than the first wave. Therefore, the main government priority is the health of the population. At the same time, the coronavirus pandemic is a major shock to the European and world economy. The European Union Member States have already adopted or are in the process of adopting budgetary, political and liquidity measures to increase the capacity of their health systems and to provide assistance to particularly affected citizens and sectors.

The epidemic caused by the coronavirus poses a threat to the world economy and to the standard of living of the citizens. During this health crisis, it is important to protect not only the most affected sectors of the economy, but also assets, technology and infrastructure worldwide. But first and foremost, we must protect jobs and human resource.

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