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Экономическая политика во время пандемии

Аннотация. Какое пространство для экономической политики имеет страна, чтобы отреагировать на Covid-19? Чтобы оценить это пространство, в статье рассчитывается номинальный индекс экономического пространства как сумма бюджетного пространства, денежного пространства и резервного пространства каждой страны. Это номинальное пространство затем корректируется с учетом институциональных характеристик отдельных стран для получения индекса эффективного экономического пространства. В качестве иллюстрации индекс применяется к кризису Covid-19. В статье показано, что по крайней мере 95 стран (около 11% мирового ВВП и 23% населения) не имеют экономической возможности реагировать на кризис или имеют очень ограниченное экономическое пространство и могут нуждаться в экстренной помощи.

Ключевые слова: *пространство экономической политики, бюджетное пространство, устойчивость долга, иностранные резервы, государственный долг, доступ к рынкам.*

Классификация JEL: E61, F01, F42, H12.

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Is Eurozone accumulating a historic lag toward Asia in the COVID-19 context?

Abstract. The COVID-19 epidemic has shaken the world and affected the global economy. Coming from China, this epidemic has hit different countries in a close succession. Western Europe and the Eurozone were severely hit by the pandemic. The so-called “2nd wave” is creating havoc even in the countries that had quite well managed before – during the 1st wave of Spring 2020. Even with the vaccine, it is quite probable that economic recovery will be postponed to 2022–2023. Would the Eurozone accumulate a historic lag compared to Asia in the pandemic context? Analyses done by the end of September 2020, that is before the 2nd epidemic wave struck Europa, were already showing that the EU and the Eurozone, as some other advanced economies, fared worse in that context. This 2nd wave would quite probably strengthen this lagging.

Keywords: *COVID-19 epidemic, 2nd wave, economic collapse, lock-down, economic cost, government support, EU countries.*

JEL Classification: D78, E32, E65, G33, I18, J64.

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1. The COVID-19 Shock

With the “the Great Lockdown” imposed in some economies, the world faced a crisis without precedents¹. There is a subtle, but distinct link between non-pharmaceutical protective measures taken, like “social distancing” and lockdowns, and the impact of the COVID-19 induced recession. The analysis done by the IMF (Franks et al.,

2020) shows evidence on the association between lockdowns and economic activity over a sample of up to 52 advanced, emerging markets, and developing economies. Graph 1 displays the correlation between the stringency of lockdowns during the first half of 2020 and the decline in GDP relative to pre-pandemic forecasts (Figure 1).

¹ <https://blogs.imf.org/2020/10/13/a-long-uneven-and-uncertain-ascent/>

Nonetheless, these findings have to be interpreted with a considerable degree of caution given omitted variable concerns that affect cross-country analyses (Caselli et al., 2020). A number of variables (nature of production, share of services in the GDP, population density) could alter the ultimate result. The situation can be also clearly seen through sectoral analysis and particularly when looking at industrial and services sector (Figures 2, 3). It is to be noted that China has been affected earlier than other countries, but is recovering now much faster.

It is then quite clear that the COVID-19 pandemic has affected different world economies in very different ways (Gupta et al., 2020).

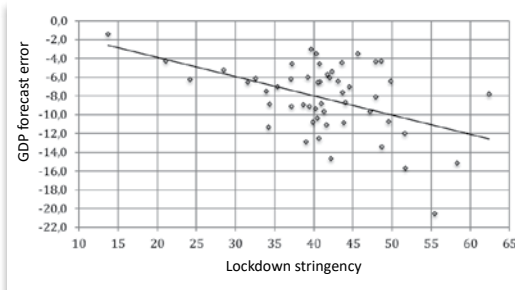


Figure 1

Relation between lockdown stringency and GDP forecast error ($y = -0.2053x + 0.2449$; $R^2 = 0,2197$)

In Figure 1 the GDP forecast error measures the difference between growth estimates made by early 2020 and revised estimates made by October 2020. The Lockdown stringency index include duration and severity of various lockdowns as compiled by IMF researchers.

Source: IMF.

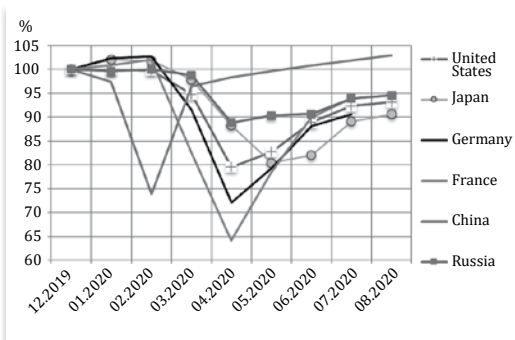


Figure 2

Industrial production and COVID-19 impact Index 100% is December 2019 level.

Source: IMF.

Differences cannot be explained only by the stringency of sanitary measures and lockdowns. But, even more important is the fact that recovery path is to be very different in the coming months

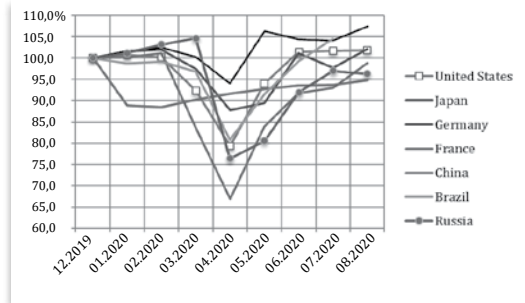


Figure 3

Retail trade sector development

Source: IMF.

2. How has the European Union and the Eurozone wavered in the COVID-19 pandemic?

Lockdowns were introduced in different European countries leading to different economic consequences. Quite interestingly on data compiled by the IMF by September 2020 (not including the 2nd wave shock), European countries are faring quite worse than non-European ones (Figure 4).

Quite interestingly in Figure 4 no Asian country (but for India) had a GDP forecast error worse than 10% when six European countries had (France, Italy, Greece, Spain, Great Britain and Portugal).

How have the European countries managed this situation? (Hale et al., 2020). First of all, most countries tried to protect employees and, in some of them, even self-employees people (Figure 5) from lockdowns consequences. France certainly was the country that protected most employees. But, she protected not as much self-employees, and this category was certainly hit the hardest by administrative lockdowns.

On the contrary, Belgium, Greece, Italy, Spain, Portugal and Germany protected much better self-employees, to the point that in all these countries the share of self-employees in monetary compensation exceeded the share of employees.

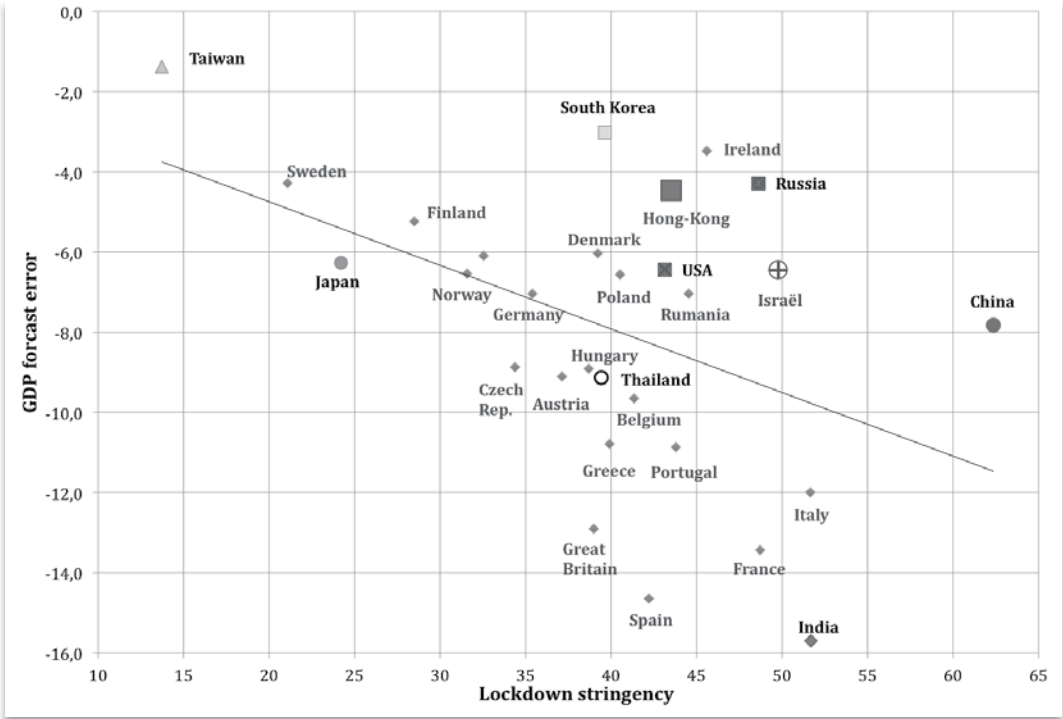


Figure 4

GDP forecast error and lockdown stringency: Europe and others

Source: IMF, CEMI.

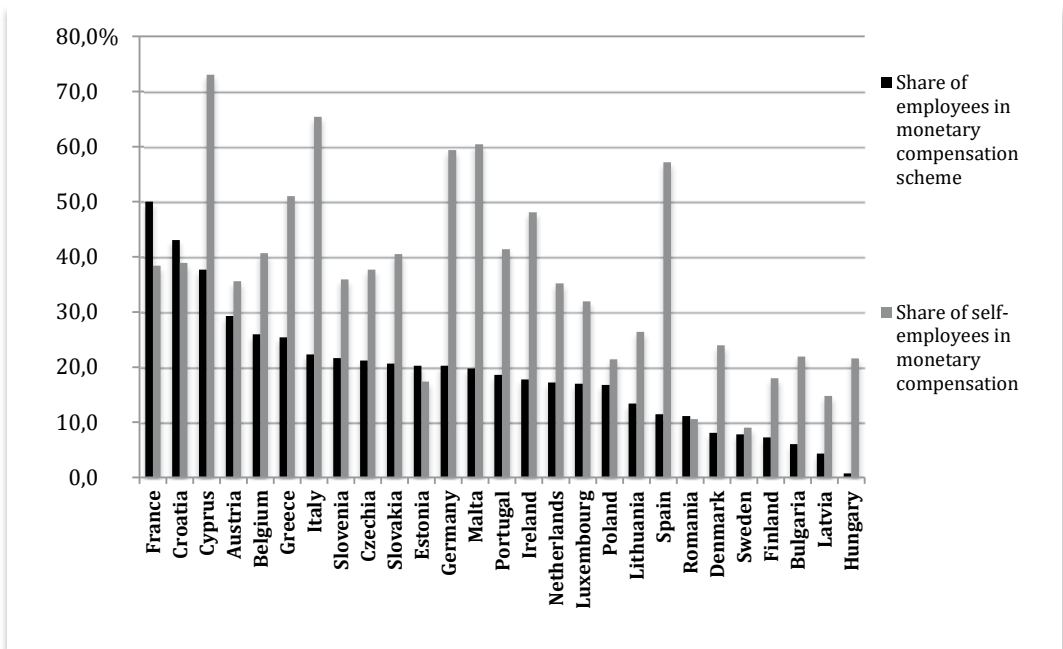


Figure 5

Share of employees and self-employees in monetary compensation

Source: Eurostat.

Actually, in nine countries the share of self-employees in monetary compensation was equal or above 40%. This proves that we observe significant differences in the way the welfare-state reacted to the Pandemy, even in countries where the model of welfare-state and the level of protection it affords is quite comparable. Another interesting point is what economic sector got the major part of the protection afforded by the state in employees' compensation scheme. Here too we can see some important differences among countries. Only 24 of the 27 EU countries gave disag-

gregated data (Figure 6). So, we can see nine countries (France, Croatia, Cyprus, Belgium, Greece, Italy, Ireland, Spain and Romania), which gave their priority support to the construction and wholesale retail trade workers.

Other countries supported more industrial workers (Cheng et al., 2020). However, this data is incomplete, as Germany did not provide disaggregated data. This support was mostly done by March, April and May and protected, at its peak (Figure 7), for more than 30 million of worker (employees).

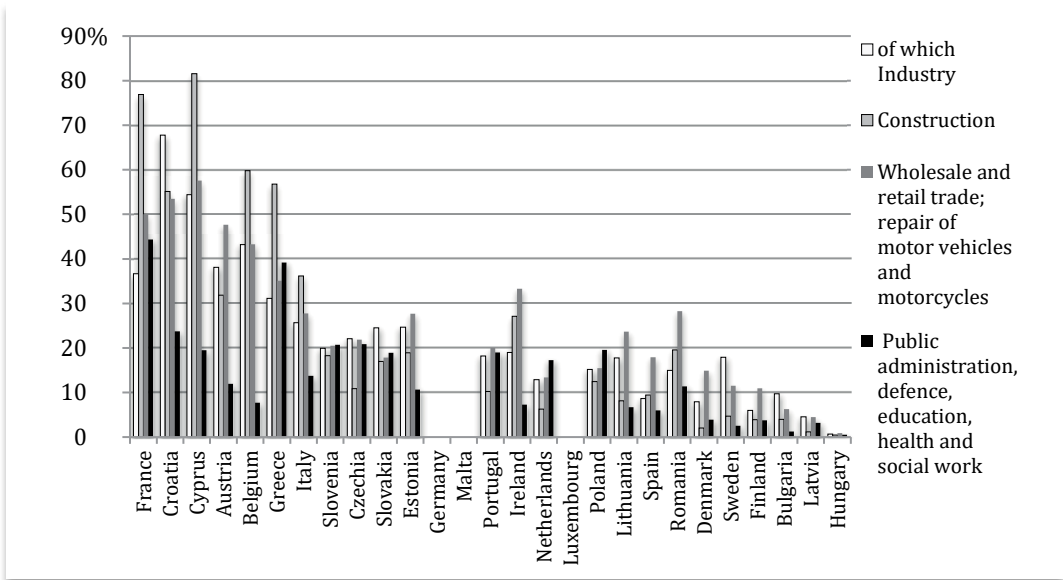


Figure 6

Share of employees in monetary compensation scheme by sectors

Source: Eurostat.

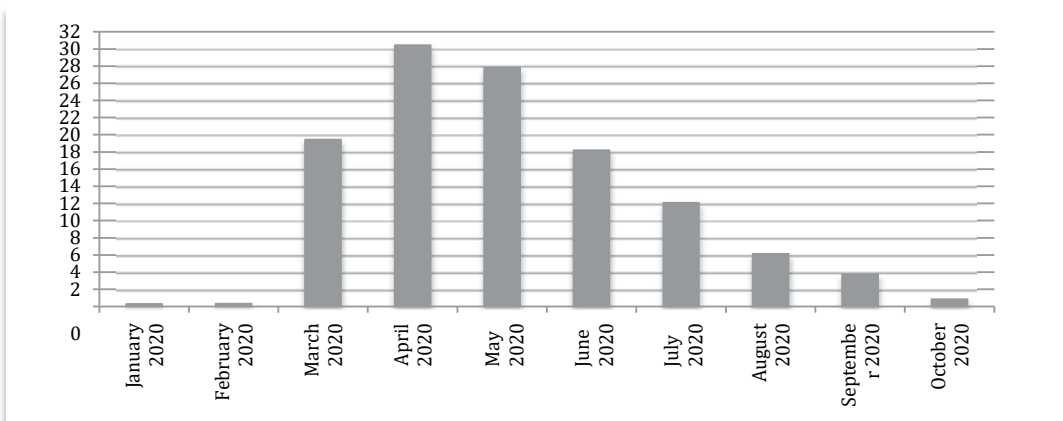


Figure 7

Total number of jobs supported by governmental measures, mln

Source: Eurostat.

How do the EU-countries have to pay for such a massive social protection? This is the next question to be asked. As a matter of fact, governments needed a lot of money for two different but interlinked undertakings: first to support people under administrative lockdowns, and second to help the economic recovery. Here comes the complicated story of the EU recovery plan².

3. The EU botched response to the pandemic

The EU reacted lately to the pandemic, be it on vaccines where it was pre-empted by countries like USA and UK or for the economic recovery plan. On May 18, 2020, Berlin and Paris proposed a great stimulus plan, accompanied by a transfer mechanism: the European Union would thus create a common debt. However, this initiative provoked violent reactions from Austria, the Netherlands, Sweden and Denmark. Still, the European Union agreed to raise these some 500 billion and the countries which would receive this money would not reimburse what they would have received but in proportion to their share in the European budget. It is the European Commission, which will raise this sum on the markets – it represents 3.5 times the annual European budget – before redistributing it via the budget to sectors and regions in difficulty, Italy and Spain in the lead. This is a mechanism that favors small countries that need a lot of money, but not the big contributors to the budget, like Germany or France.

The plan was adopted in July 2020 and confirmed on November 10, 2020. The European Parliament and the EU countries reached agreement on the next long-term budget of the EU and *NextGenerationEU*. The Recovery and Resilience Facility is a cornerstone of *NextGenerationEU*³. It is endowed with 672.5 billion euros in loans and grants to support reforms and investments undertaken by EU countries. The aim is to mitigate the

economic and social consequences of the COVID-19 pandemic and to make European economies better prepared for the challenges posed by ecological and digital transitions and the opportunities that they offer. For European cohesion and territories (REACT-EU), *NextGenerationEU* also includes a budget of 47.5 billion euros. This is a new initiative that continues and expands crisis response measures and measures to address the consequences of the crisis⁴. However, for impressive it seems, this program is not to be operational before early 2022 at best, a good example of the slow and cumbersome bureaucratic process of the EU. So far it is the European Central Bank that is doing the job of supporting the Economy. Actually most of the money for support and recovery didn't come from the budget.

The predominance of liquidity support (Figure 8) highlighted the European Central Bank role. In the context of the second wave of the COVID-19 pandemic, the European Central Bank (ECB) on Thursday, December 10, devoted its monetary policy meeting to the changes to be made to its action⁵.

The Pandemic emergency purchase program (PEPP) was increased by 500 billion euros, bringing it to 1,850 billion euros and it will last until March 2022, a distant date to take into account the uncertainty about the deployment schedule of vaccines. This ECB is then extending its horizon even beyond the health crisis and signaling that it would continue its special pandemic operations beyond the pandemic period. This shows that these operations mainly aim to remove the risk of a debt crisis and to facilitate the financing and refinancing of the states reassuring the investors.

However, one of the problems posed by the ECB's action by now is that only 25% of its operations have helped Eurozone banks. In fact, ECB helps, but blindly. Instead of taking targeted actions like any national central bank would do, like the Bank of England, for example, it is just

² https://ec.europa.eu/info/strategy/recovery-plan-europe_fr

³ https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_fr

⁴ https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic/cohesion-policy-support-measures-coronavirus-response-investment-initiative_fr

⁵ <https://covid19-economie.banque-france.fr/comprendre/la-bce-recalibre-ses-mesures-face-a-la-persistance-de-la-crise-sanitaire/>

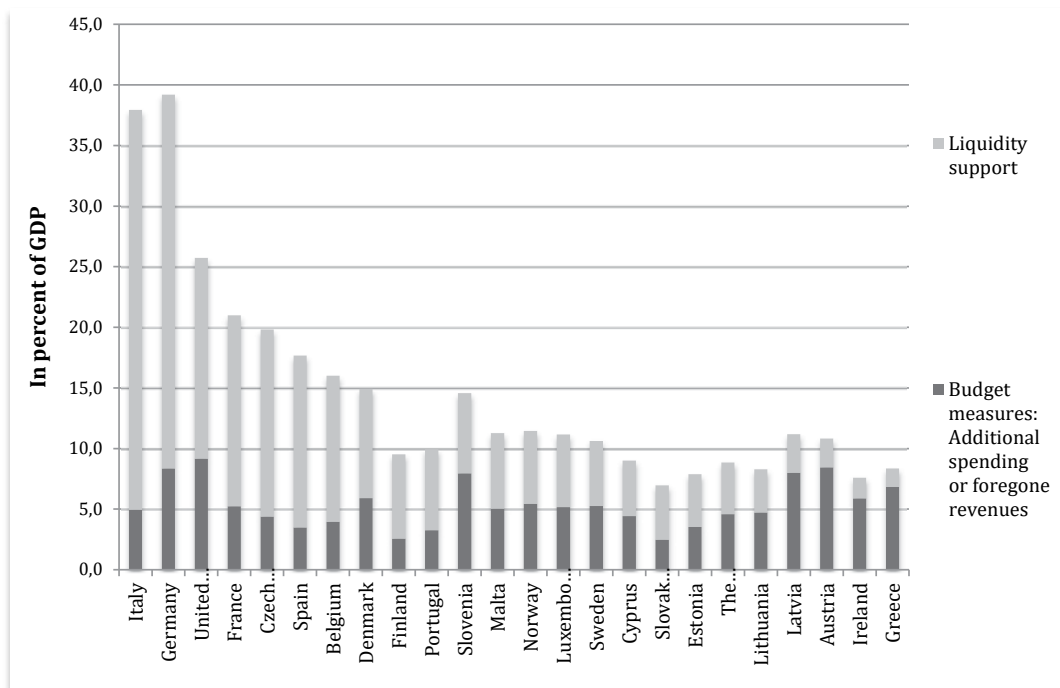


Figure 8

How EU countries supported their economies

Source: IMF.

watering the market. As a result, the asset buyback program will not help countries out of deflation and have little ripple effect on the real economy. On the other hand, we can fear a strong financial instability in the medium term, given the scale of these programs, and the mass of central liquidity discharged on the markets. The markets are now totally dependent on central bank liquidity. The addiction has become unhealthy.

4. EU and Eurozone: differences in the recovery paths

The European Union and the Eurozone have stalled in relation to the process of economic recovery in Southeast Asia (Figure 9). This stall is significant, because it could herald a form of marginalization of the EU and the Eurozone vis-à-vis what is now one of the main centers of global economic growth.

The second wave of the epidemic (fall 2020) is affecting Europe in a particularly strong

and spectacular way, and will amplify this phenomenon. It is worth wondering here why countries whose health systems were often given as a reference could not manage this epidemic more adequately.

It had quite profoundly modified the situation of the European Union countries and of the Eurozone (EMU)⁶. The impact on the economy will be considerable and the forecasts drawn up by the IMF at the beginning of October 2020 will necessarily have to be revised. From the revision carried out in November concerning the French economy (Sapir, 2020), we have here extended the reasoning to the main countries of the Euro zone (Figure 10). The gap with what had been anticipated at the beginning of October 2020 is obvious.

The fact that the health crisis is globally under control in Southeast Asia plays an important role in the trajectory of economic recovery of these countries. This difference in the path of recovery in economic activity also reflects the

⁶ <https://www.lopinion.fr/edition/economic/pib-francais-devrait-se-contracter-11-en-2020-227896>

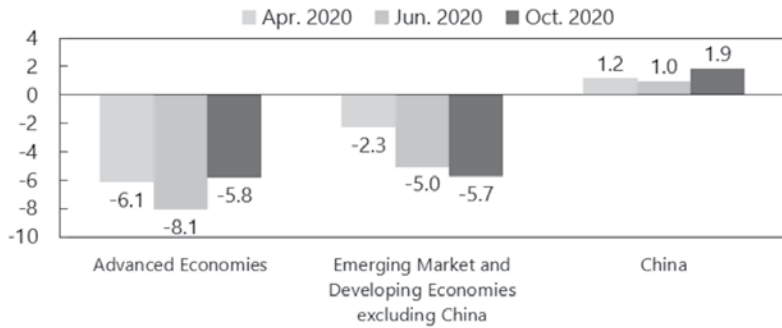


Figure 9

Uneven countries' recoveries (year-to-year change, %)

Source: IMF, World Economic Outlook, October 2020; URL: <https://blogs.imf.org/2020/10/13/a-long-uneven-and-uncertain-ascent/>

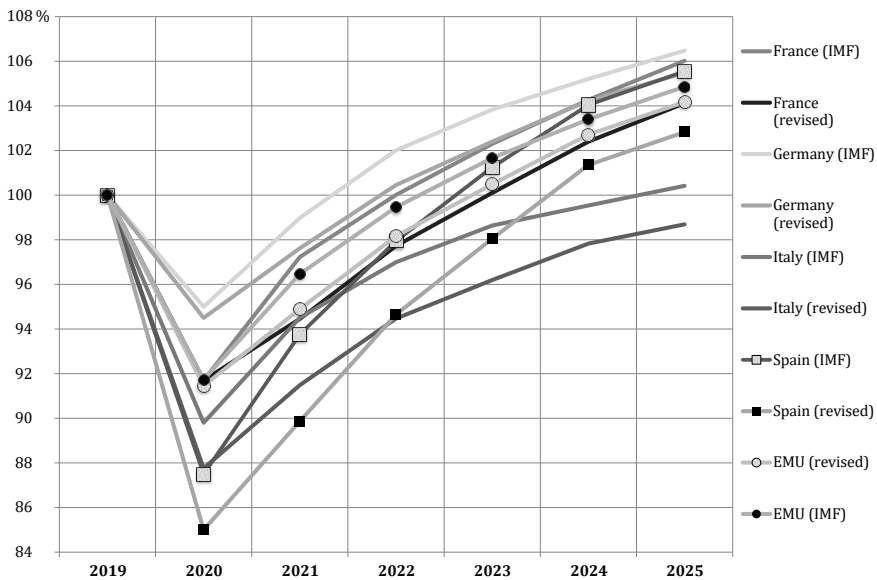


Figure 10

Growth forecasts without (round) and with (square) the COVID-19 "2nd wave"

Source: IMF (October 2020) and CEMI.

strategies for supporting the economy adopted by each country. The interesting point here is not only that the volumes of support, calculated as a percentage of GDP, vary widely, but that there is also a clear difference between countries that support their economies through bank loans and bank shares and those that favor budgetary action, either through direct subsidies or tax cuts. This data was (Figure 11), again, compiled by the end of September 2020; the differences nevertheless are significant. These differences display different approaches to the issue of fiscal deficits, and for

relationship with central banks and in the role left to the latter in economic policy.

These differences in policies are translated into significant uncertainties in the levels of economic activity and significant differences between the major economic areas of the world. But an important point is the fact that the EU appears quite low in this graph and that the two main countries of the EU and Eurozone, Germany and France appear even lower. One can wonder if the quality of aid would not be affected, if only indirectly, by the instruments of its financing.

The difference between the recovery trajectories of economic activity in China and the European Union is to be noticed. With this second wave, we will have to expect an even greater difference. Computation of the probable EMU growth rate, once the impact of the COVID-19 was accounted for it shows a decrease by at least 1.6% for 2020 and by around 2.6% for 2021. These dif-

ferences are also translated into divergences for the coming years. This was already obvious in data computed by the IMF *before the second wave* (Figure 12).

As shown in Figure 13, the EMU stall by comparison with other countries group is even more spectacular. It should be noted, however, that this trend already existed before the COVID-19 pandemic.

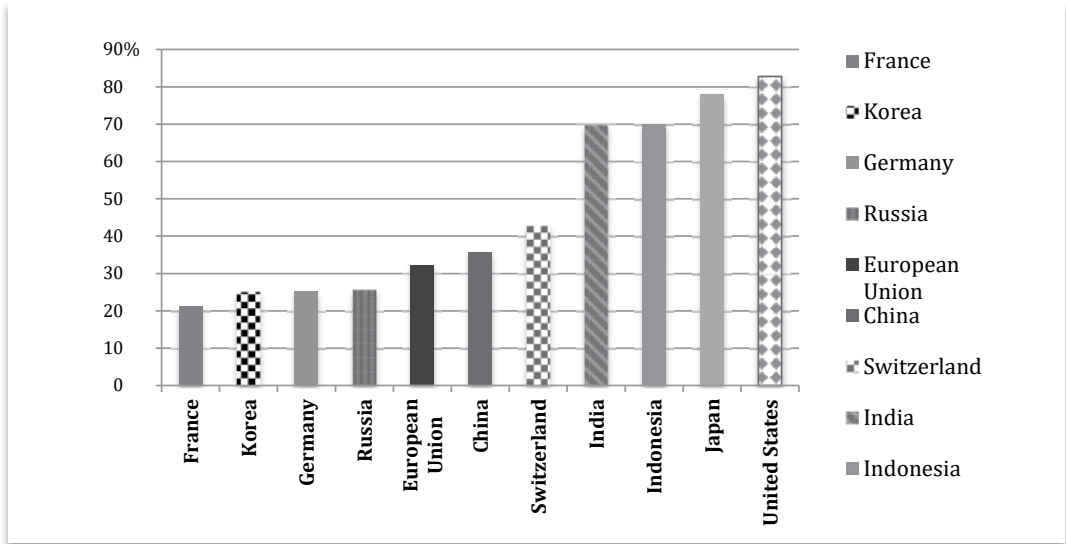


Figure 11

Budget in percent of total support

Source: IMF.

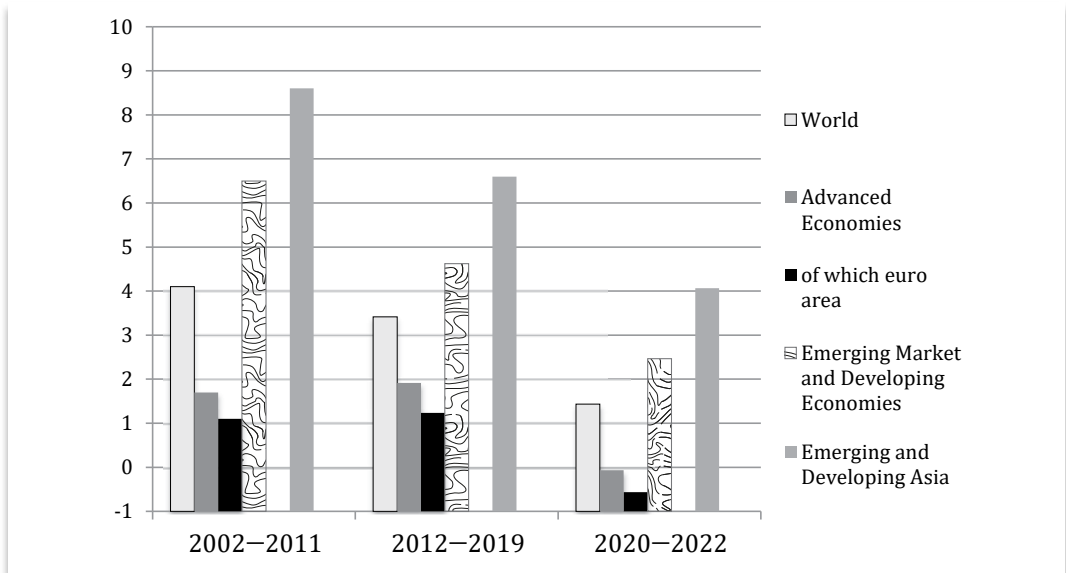


Figure 12

Average GDP rate of growth, %

Source: IMF.

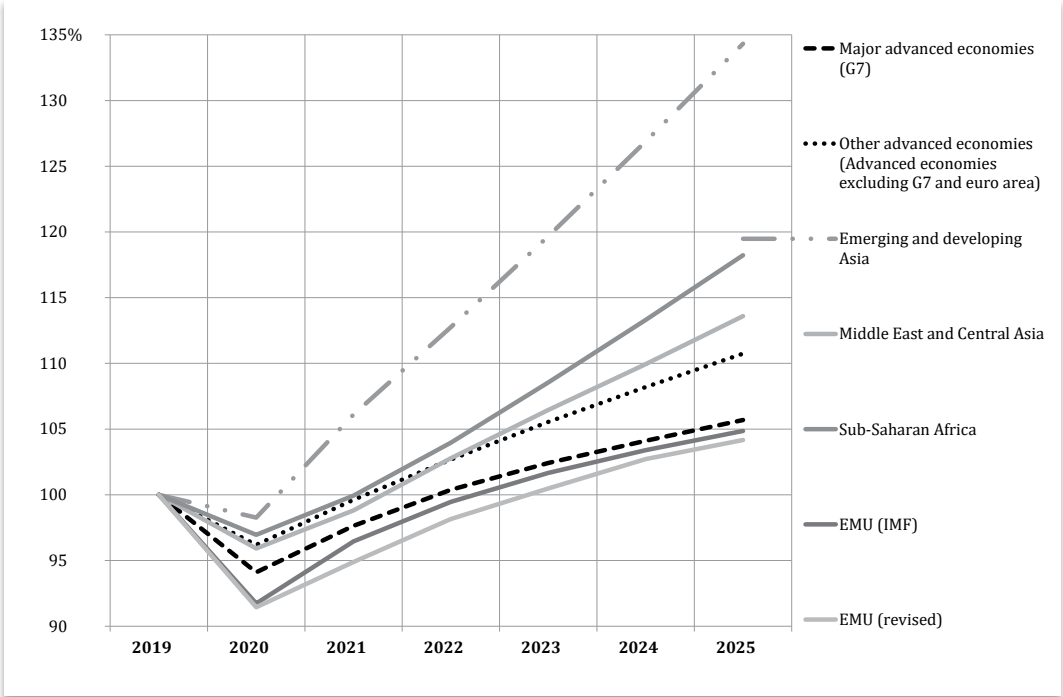


Figure 13

The Post-Covid19 world: average GDP rate of growth

Source: IMF, CEMI.

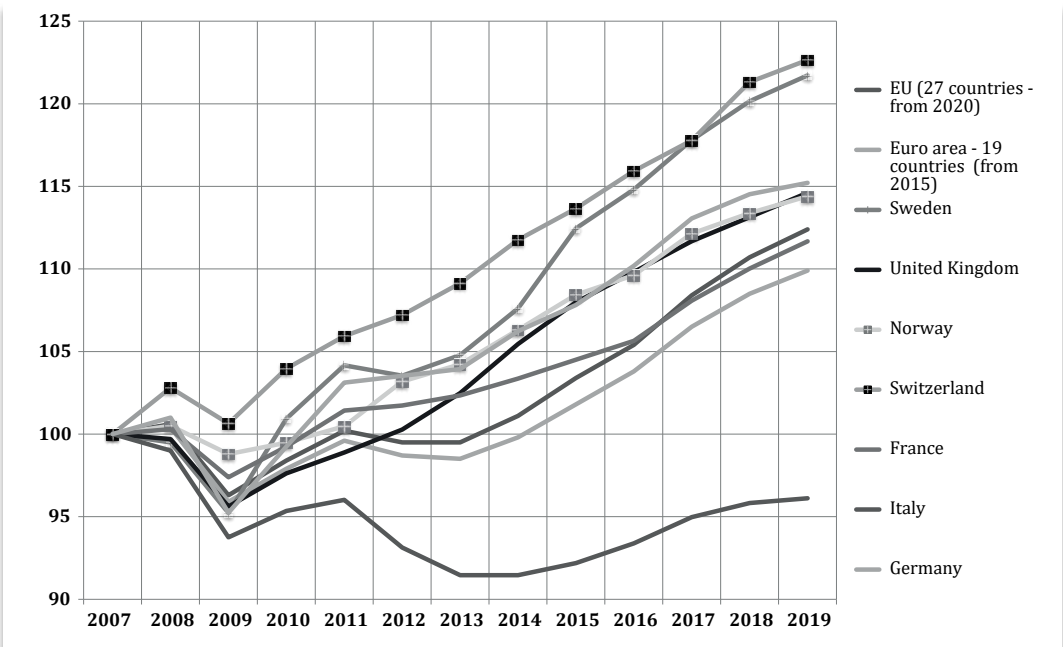


Figure 14

Rate of growth since 2007 – comparison, %

Source: Eurostat.

Indeed, the countries of the Euro zone experienced abnormally low growth compared to other developed economies since 2007, or even since 2000 (Figure 14) (Sapir, 2012).

5. Was the Euro a fateful drag?

A study carried out by the Centrum für Europäische Politik of Freiburg (Germany), caused a lot of talk and writing, whether in France, Germany or even in Brussels⁷. It showed that the introduction of the euro made winners and losers and that the introduction of the euro would have cost since 1999 and until 2017, in cumulative amounts, 3,591 billion euros to France, 4,325 billion euros for Italy and 424 billion euros for Spain, while Germany would have earned 1893 billion euros and the Netherlands 346 billion euros.

It can be seen that, compared to the OECD average, the euro zone has only grown by 0.5% to 0.7% lower (Table 1).

From this point of view it is striking to note that, since the introduction of the euro, the role of Europe on the international economic scene has continued to decrease. However, it should be noted that the impact of national economic policies implemented in the countries of the zone precisely because of the introduction of the

single currency, on the individual trajectories of the countries was considerable too (Bibow et al., 2007).

We can therefore think that the Euro has stifled growth in some of the countries that have adopted it, because of the transfers of wealth that it would have caused. This situation is very evident when we compare the different recovery trajectories of economic activity. As we saw, Eurozone and EU countries adopted different strategies to face the COVID-19 challenge. These different, and national, strategies look now much more important than the “common” response of the EU Commission. Without the EMU, and the euro, a logical consequence of these differences would have been depreciation of euro and appreciation of national currencies. But, because of the Euro, a process of budget subsidization implying a process involving transfers of wealth had to be engineered, and that was exactly what aimed for the July 2020 Agreement. However, we could wonder if the sums provided for in this Agreement are up to the transfers that these different response strategies to COVID-19 make necessary in a common currency situation. If they aren't, as we actually believe, then the economic consequences on recovery paths not just for the “worse-off” coun-

Table 1

GDP growth rate at constant prices. Average per period, %

Country	Average		
	2001–2011	2001–2007	2007–2011
Australia	3.1	3.4	3.1
Canada	2.1	2.6	1.4
Norway	1.8	2.3	1.2
Sweden	1.8	3.0	0.5
Switzerland	1.7	2.0	1.6
United Kingdom	1.6	2.6	0.4
United States	1.9	2.4	1.3
EMU (Eurozone)	1.1	1.9	0.4
OECD, total	1.8	2.4	1.1
Deviation from the OECD average	–0.7	–0.5	–0.7

Sources: OECD database. For 2011, estimates. For 2010, provisional figures.

Methods: (<http://www.oecd.org/eco/sources-and-methods>). These figures are corrected for the number of working days.

⁷ <https://www.dw.com/en/cep-study-germany-gains-most-from-euro-introduction/a-47675856>

tries, but for the Eurozone as a whole are to be very important (Kelejian et al., 2011). This problem will arise in an acute manner as soon as the European Central Bank begins to reduce its bond purchase programs and the issue of financing policies to support the economy reverts to the top of the governments' agenda. The debate on debt cancellation that is currently developing in Italy is an anticipation of the debates to come⁸. It is then clear that the COVID-19 epidemic played the role of both revealing and accelerating changes that were noticeable for ten years before now. The shift of the world growth pole from the Atlantic zone (USA–Europe) to the Pacific zone, and more particularly – Southeast Asia, seems irreversible today.

The new division of the world will very likely take place without the Europeans, who remain faithful for the time being to the ideology of «globalization». It doesn't stop at the G-7 door, because both the EU and the Euro deserve to feature prominently here (Stiglitz, 2016)⁹. From this point of view, it is worth highlighting the extremely harmful consequences of German domination over the European Union, a domination that is expressed both by the standards that this country imposes and by the instruments it controls – such as the euro (Husson, 2019). The President of French Republic, Emmanuel Macron, had he not recognized in a rare flash of lucidity that the euro had mainly benefited Germany? (Macron..., 2019). German policy is, as a matter of fact, destroying the European Union, and with it the idea of European cooperation (Cafruny, 2015; Ryner, Cafruny, 2017), as it could be seen in the tensions that emerged between France and Italy, and also between Italy, Poland and Hungary and France and Germany.

But, the obvious failure of the G-7 signals too of the exhaustion of the “Western model”. This confirms a trend, which was notable since the end of the 2000s (Sapir, 2020). It is therefore clear that the process of de-globalization is now irreversibly underway (Sapir, 2011).

6. Conclusion

If we look at the growth rates as they were estimated before the 2nd wave of Covid-19 in Europe, we see that the gap is widening between the developed countries, France, Germany, Japan and the United States of America on one side and China on the other.

Obviously, with the economic consequences of the re-containment that we have seen in many European countries, this gap will widen even more. Countries, which have managed to partially preserve their economy, such as Germany or the United States, will be less affected than those, which have stopped many of their activities. But they too will fall significantly behind China, and Southeast Asia overall. The Covid-19 has thus revealed major trends that were present for more than 20 years.

This outcome may be further translated into two things. On the one hand, the Euro acts as a stifle for growth. On the other hand, the pole of world growth has shifted over time to the Asia-Pacific basin.

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⁸ <https://www.lesechos.fr/monde/europe/les-italiens-revent-deffacer-la-dette-due-au-covid-1268709>

⁹ Stiglitz J.: “Il faudra peut-être abandonner l'euro pour sauver le projet européen”. Entretien avec Benoît Georges. *Les Echos*, 2016, 16 septembre.

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Неужели Европа накапливает историческое отставание от стран Азии в контексте пандемии COVID-19?

Аннотация. Эпидемия COVID-19 потрясла весь мир и повлияла также на состояние мировой экономики. Придя из Китая, эпидемия ударила последовательно по разным странам. Страны Западной Европы, и в частности страны еврозоны, серьезно пострадали от пандемии. Так называемая вторая волна стала источником хаоса даже в тех странах, которым удалось относительно успешно пройти первую волну весной 2020 г. Даже получив вакцину, они смогут начать восстанавливать экономику предположительно не ранее 2022–2023 гг. Неужели Европа накапливает историческое отставание от стран Азии в контексте пандемии COVID-19? Даже анализы состояния экономики ЕС, проведенные в сентябре 2020 г., до начала второй волны эпидемии в Европе, уже показывали, что страны ЕС и еврозоны, как и ряд других экономически развитых государств, плохо справлялись с ситуацией. В этом случае становится очевидным, что вторая волна эпидемии только ухудшит их экономическое положение.

Ключевые слова: эпидемия COVID-19, вторая волна, экономическое отставание, правительственная поддержка, страны Евросоюза, страны Юго-Восточной Азии.

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