



# **POLICY BRIEF**

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# **COVID-19 : BETWEEN URGENCY AND LONG TERM**

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## Covid-19: Between urgency and long term

### Summary :

An examination, inevitably bound to be broad in scope, of the economic and social implications for a country, in this case Morocco, of a sudden pandemic that has broken out in virtually most parts of the world, can only be a prelude to a broader and more comprehensive study to be undertaken in due course. For obvious reasons, especially as the current crisis induced by the primacy of health, could later evolve into a form of economic depression as various multifaceted aid and support programmes, adopted here and there, are attempting to reduce the major foreseeable risks and mitigate serious social shocks. Various choices and compelling trade-offs, ranging from short-term emergencies to some realistic long-term projections thus seem modestly to open a new chapter in the ongoing reflection.

### Introduction

The particular circumstances of the pandemic, together with the likelihood of an economic depression that the world is about to experience, simply allows us to check once again a key principle, namely that a scientific answer to factual data at a given time will, in turn, be the starting point for a new question that needs to be better investigated. At present, the place taken by the primacy of the health issues reminds us that the economic analysis of crises was generally confined to the more or less cyclical economic and financial crises of the last few centuries and, as such, was essentially accountable to the contribution of various disciplines. At this level, no economic research is known to have analysed the actual impact of a pandemic such as the one that haunts our world today, and which has taken the form of an exceptional phenomenon due to its rapid expansion. It is only through past reports, descriptions and general or specialized historical documentation, that we have been able to shed light on the various episodes of plague, cholera, leprosy, smallpox, tuberculosis, etc. These tragic pandemic events had effectively spread fear for long periods of time, sometimes decimating a large part of the population involved on various continents, to the point of causing the disappearance of several segments of the existing economic and social activity within the affected communities.

### 1. What kind of crisis are we dealing with?

Since its inception, economic analysis endeavoured to reflect about the ways and means of fulfilling basic human needs, including the question of living in good health, if possible. The satisfaction of such a need has a cost, which requires making fundamental social choices that several eminent researchers have explored in recent decades. A significant part of the health economy, and in general that which is concerned with well-being, finds its justification in seeking to consolidate a democracy based on social justice.

This interference of the health and medical aspects with the economic situation, due to current events, is even more tangible in the context of a pandemic. Several qualified researchers from various disciplines and practitioners, as well as informed thinkers and observers, who are all locked down across various continents, modestly continue to question the nature of this sudden pandemic phenomenon that has taken the world by surprise to the point of almost stopping most human activity on land, at sea and in the skies with global economic and social consequences of unprecedented magnitude.

Most policy-makers throughout the world have finally resolved to proclaim the lockdown of their respective populations, with a view to preserving human lives, as the only solution likely to minimize losses, due to globally insufficient health infrastructures and equipment, at different levels from one country to another, so as to cope with the spread of a pandemic that has become uncontrollable. In other words, the lockdown decision was a political measure with serious economic consequences, which has generally been accepted across ideologies and beliefs, churches, mosques, temples, synagogues all of which have been closed down until further notice, thus confirming the understanding of the populations. China, which was the first to face, in one of its large populated provinces, what was to become the global pandemic, set the example by proclaiming the isolation of its population, which has since become the norm, even among certain European or Asian democracies, India in particular. Morocco has not been lagging behind, and the question of lifting the lockdown, under proper health conditions for the vast majority of the population, has now become the major objective, thus reminding the urgency of certain economic and social aspects.

A classical "economic crisis" refers to the business cycle theory. In this respect, the most elaborate theory, so far, belongs to what is known as the Austrian School (Prof. Hayek), for whom an economic crisis is the result of cumulative maladjustments in the production structure (or in the financial system) to actual demand. As to recession, it is a crisis which, although only temporary, amounts in practice to one to two consecutive quarters of decline in activity, rarely more. The most feared phenomenon is the one to which the world, including our country, seems to be exposed. It is depression that is the most serious of all, taking the form of a significant and, above all, lasting slowdown in production, consumption and investment. Modern economic history has so far recorded only two depressions. First, it was during the period of falling prices and instability that caused the panic of the 1870s in Europe and America. Then there was the devastating "Great Depression", following the financial crisis of the 1930s, which started in the United States and lasted almost until the United States entered World War II. Such depressions were characterized by both phases of acute setbacks and rather short-lasting rebounds, with a general downward trend in the level of activity with massive unemployment.

## **2. A reduced economic depression**

However, the depression, brought about by the effects of the current pandemic and its lockdown constraints, is normally expected to be less violent and may be less long-lasting. This is due, in particular, to the various fiscal and financial measures and significant bank financing, as well as the social safety nets that have been planned by various countries around the world, albeit at different levels, to limit the serious foreseeable economic and social repercussions. As this lockdown option is difficult to renew in the future, it seems to explicitly dictate the priority of a realistic policy of medical coverage and health protection of the populations. Yet, this policy should not be improvised, for it constitutes on its own,

for example, an important social marker of a possible growth model in the future.

Assuming that such a priority may result in such a social choice, due to the pressure of a population that has unanimously experienced the fragility of the existing health environment, then all other choices relating, for example, to education, training, production activities, consumption and investment functions, and taxation, etc. will have to be consistent with this perspective in the long term. In this respect, given the limited human and financial resources, some technical forms of health systems that have proved to be successful in a few developing countries (Cuba, Vietnam), and provided medical protection considered as adequate for their populations, can help to develop a technical profile at a viable cost.

### **3. A market combined with a flexible planning**

A possible State « everywhere and for everything », is a solution that seems easy in theory, but very complex to implement, even for a short period of time, in the case of an open economy and a society that maintains constant and multiple links with the outside world for its products, services, various essential supplies, remittances and its ongoing human relations with the rest of the world. In this respect, it seems more appropriate to insist on a necessary and judicious combination of market mechanisms with a flexible state planning process.

To make an optimal use of the limited resources in the aftermath of the current pandemic, future major sectoral investment choices seem to advocate in favour of such a market-planning framework, thus returning to a public experience that was not entirely negative, far from it. A technical and efficient administration of this nature, which cannot be improvised overnight, even if it requires temporarily calling on certain former expertise, could accompany and secure the resumption of the main production activities and the launching of infrastructure and construction work in the main regions of the country.

On the other hand, compared to past crises, public and private sector practitioners and other officials have learned to better manage the macroeconomic aspects, especially as the country has an unimpaired production base, an abundant labour force and a food stock that has not suffered unduly from the pandemic. As it is not possible to accurately determine the duration of the pandemic, the State is required to become the lender of last resort for the various economic activities, in order to preserve the viability of a banking and financial sector because of the many risks incurred. The State will also have to be the insurer of the gradual return to employment of several sections of the working population, and even the actual supplier of rare goods and services, in view of the current situation, such as masks, medical equipment, medicines and vaccines in an off-market framework. Not to mention that the lockdown has, in the meantime, severely disrupted the various supply and production chains.

### **4. Medium term**

As much as life is priceless according to an old popular saying, it remains certain that in budgetary practice and in light of financial forecasts, for example, life has a cost, as evidenced by the burden so far estimated to be heavy if we were to ensure minimum medical protection for the entire population. The possible recurrence of a similar health

crisis, inducing massive unemployment in its wake, would have a high real financial cost, so hardly conceivable that no State could cope with it, except by relying, first of all, on secure health infrastructures and food supply chains.

Globalization of trade will not stop as abruptly as some people expect. It will rather continue slowly and selectively, if only in anticipation of the possible relocation of production chains, which is not an easy task in the short term. Recovery in some sectors, such as tourism and transport, especially air transport, will probably require an even slower pace than that of freight transport.

## 5. In the long run

However, « economic introversion » cannot be recommended by some careless seemingly patriotic attitude, as this would be a departure from reality. Protectionism is perhaps more appropriate for the momentary self-sufficiency of certain great powers and economic blocs. In the case of Morocco, it would not facilitate a successful exit from the pandemic or from the deep related crisis. Vital elements even if limited only to industrial equipment, materials and semi-finished products necessary for local production, and basic food products, depend and will continue to depend on external suppliers, not to mention medical inputs and remittances. Until proven otherwise, no laboratory in Morocco, for example, is yet ready to be a player, nor does it seem capable of being associated, in the competition for the expected new medicine or vaccine.

With some sense of philosophy and also of humour, the eminent English economist Lord Keynes had written « In the long run, we are all dead », remarking modestly that, in order to be better and more safely prepared to face the future, we need to deal with emergencies first.

Indeed, the interesting thoughts and exchanges between informed thinkers and observers on the visions of a still distant future, and sometimes even on the future evolution of the planet, call for a certain degree of humbleness in the context of so many real uncertainties, urging us to push back the various useful long-term scenarios to less troubled and more serene times.

## 6. Two immediate and quick conclusions

Yet, urgency requires focusing on joint and local efforts to cope with the scarcity and difficult situations that will emerge in the short term, such as the high level of foreseeable cases of bankruptcy of small and medium-sized businesses and, above all, the lack of regular alternative income for a majority of households for a certain period of time. The same is true, for example, of the major problem of regular supply to food chains, outside the conditions of speculation on prices and quantities and smuggling that are typical of extremely fragile conditions of the traditional control system. Such a mission may be entrusted to a technical department attached to the office of the Head of Government until the lockdown is successfully lifted.

On the other hand, because of its geographical position, and caught between the countries of the North, which have imposed a strict lockdown on themselves, and those South of the Sahara, which cannot or will not be able to practically succeed in such an

operation for obvious reasons of poverty and poor administration, Morocco will have to nurture, from a distance, a wise form of regional cooperation that combines solidarity and mutual interests, by actively joining forces with those specialized agencies of the UN system that are still operational in the neighbouring poor regions, thus preventing as much as possible new epidemiological outbreaks with an eventual opening of the borders.

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