

Introduction

It is now almost two years since 30 January 2020, when the World Health Organisation (WHO) declared a Public Health Emergency of International Concern due to the spread and evolution of the SARS-CoV-2 virus in China and adjacent countries. The virus continued to spread across the world, and on 11 March that same year the WHO officially declared the outbreak of a global pandemic, which is still with us.

To date almost 240 million people have been confirmed as infected and around 5 million have died worldwide from the different variants of the virus that have arisen. Almost 90,000 people have died in Spain, around 5,000 of them in the Basque Country. These global effects on health and their social and economic consequences led governments to face unimaginable challenges in healthcare, economic and social matters as they attempted to contain the virus and prevent it from spreading.

Urgency and governance became key variables in the problem. Coordination and response time are fundamental in matters of health: delays of a week or just a few days in taking measures have been found to have far-reaching consequences. In a process which was initially exponential, delaying the implementation of social distancing by just a few days could have a huge impact on the progress of the virus (CEPR, 2020).

Along with the loss of life and health, the pandemic has set off the most serious economic crisis since World War II. Many economies have slowed down so much that they will not recover their 2019 production levels until 2022 at the earliest. The nature of the crisis is unprecedented: over and above the recurrent shocks suffered by the economy and health in the short term, its effects on human capital availability, productivity and social behaviour can be expected to last for a long time.

That said, all pandemics end eventually. Covid-19 has started down that path and will gradually become endemic. In that state, circulating and mutating from year to year, the coronavirus will remain a threat to the elderly and infirm. But having settled down, it is highly unlikely to kill on the monstrous scale of the past 20 months. Covid will then be a familiar, manageable enemy like the flu» (*The Economist*, 2021).

From this viewpoint, success and frustration exist side by side in the evolution of the virus. The success shows itself in the large number of people who have been vaccinated, and in the fact that new medicaments can now greatly decrease the risk of death and reduce the viral load at all stages of the infection, from the slightest symptoms to intensive care patients. This rapid creation and approval of so many vaccines and treatments for a new illness is a worldwide triumph of science.

Thus, although the impact of the current Covid-19 crisis runs very deep, it can be expected to be shorter-lived than the effects of the Great Recession of 2008. The health crisis has also had an impact in accelerating certain pre-existing trends, particularly digitalisation (OECD, 2020) and all that it entails (adoption of technologies, use of new data, distance learning and home working). When the health crisis is over, we will be left facing once again the same challenges as before the pandemic: climate change, the energy transition and socio-demographic change.

The frustration lies in the not inconsiderable risk that the crisis could degenerate into something worse. It is clear that we are more vulnerable to biological risks than we thought, and there could well be other viruses in the future. Other, unknown risks, e.g. those arising from climate change, are also now becoming more likely. Increased uncertainty and feelings of depression, pessimism and despair have appeared (Balluerka *et al.*, 2020).

The crisis has brought to light other important, relevant issues which are touched upon in the articles contained in this monographic issue. The first is concerned with governance. Rather than opting for centralised or decentralised models for managing crises such as the current one, the focus is on joint decision-making models, i.e. co-governance models that take into account the context, the emergency nature and the complexity of the current crisis and are based on mechanisms of reciprocity (de Lecea, 2021, in this issue). This is important, because from the outset national and supra-national authorities alike have set in motion measures aimed primarily at strengthening and reinforcing health systems, at minimising job losses and at providing liquidity for businesses, especially SMEs. This is the framework of action set up by the European Union and followed by its Member States, each in accordance with its own characteristics and response capabilities. This has resulted in asymmetries and in many cases in a widening of the gaps between countries.

The second issue is that governments will need to respond to future crises quickly and proportionately, safeguarding trust and transparency. The pandemic has shown how important both these aspects are in maintaining public health amidst drastic reductions in freedom of movement. Trust and transparency are crucial if people are to understand and comply with extraordinary measures in extraordinary times (OECD, 2020).

The third is the level and duration of the restrictions implemented in different national and regional settings. This is a factor that has been found to influence the course of the economic crisis, whatever the type of society and economy analysed. Restrictions need to be limited in scope and time so that they do not damage citizens' perceptions of the competency, openness, transparency and fairness of the government (OECD, 2020).

The fourth issue concerns the globalised economy and global corporate actors: it has become clear how important it is for businesses to prioritise risk management and business continuity plans to assure more reliable, more resilient supply chains (Kamp, 2021, in this issue). Collecting continuous information in real time and monitoring the supply chain are key in this.

When the Basque Government Office for Economic Affairs and Planning decided to prepare this issue in May 2020, we were under full lock-down and healthcare was the absolute top priority. The economic and budgetary efforts of the Basque Government needed to align with and focus on health-related needs and obligations, with prevention and containment measures. At the same time the economy was falling dormant, so a raft of economic and fiscal measures were introduced to sustain economic activity both face-to-face and online, pending the scaling-back of restrictions needed to reactivate it.

This monographic issue comprises 11 studies (9 articles and 2 brief essays) that analyse Covid-19, its effects on the economy and the measures taken to combat it, some of them in the context of the Basque Country. The opening article by **David Jimenez-Gomez** and **José María Abellán** looks at behavioural economics, part of the field of microeconomics, i.e. at how psychological, social and cognitive factors affect the economic decisions of individuals. The authors analyse the biases (in this case over-optimism) that may have had most impact on decision-making in regard to the pandemic, and at public-health policies for tackling the Covid-19 pandemic. They outline the various channels through which behavioural economics has affected people's behaviour before and during the pandemic and propose ways in which it can be used to help fight the virus through slight nudges and increased vaccination.

After the introductory article, a block of articles follows that analyse the economic and social impacts of the pandemic. **Beatriz González López-Valcárcel** and **Jaime Pinilla** describe the current situation of the economy in Spain in the light of the short-term effects of the pandemic, plus the bailout funds and other government measures taken to mitigate them. They also consider and assess the vaccination strategy adopted in Europe, which is a matter of both health and economic policy, and the changes that must be made in the healthcare system under the Next Generation programme for recovery in Europe. The article ends with a look at the direct and indirect effects of Covid-19 on economic and health-related inequalities between individuals.

The second article in this block is by **Carlos Álvarez, Inmaculada Cebrián, Be-goña Cueto, María A. Davia, Nuria Legazpe** and **Gloria Moreno**. They set out in detail the consequences of the economic crisis that arose from the lock-down in terms of jobs. They focus especially on trends in the number of people in and out of work during the strict lock-down of the spring of 2020. Their main findings show on the one hand that the increase in the numbers out of work was transient, and was gradually reversed as restrictions were scaled back. And on the other, that the evolution of inactivity with confinement and its subsequent recovery is related to the profile of the unemployed (especially with the distribution of the productive branches in which they remain) and also to a great extent by the confinement situation itself.

One consequence of the Covid-19 pandemic has been that many workers have lost their main source of income. This has had serious financial consequences for their households. In that context, **Alfonso Arellano** and **Noelia Cámara** look at how education and personal experience with the financial system affect the financial vulnerability of households in the Basque Country, and at whether there are any differences with the rest of Spain. They find that households with less financial expertise and those which have had run-ins with the financial system in the past are more likely to be vulnerable, and that the effects are more far-reaching in the Basque Country than in the rest of Spain.

In the fourth and last article in this block, **Mikel Erkoreka** analyses the fiscal and budgetary impact of the Covid-19 pandemic on the public finances of the Basque Country in 2020 and assesses the performance and solvency of the provincial-based financing system under which the Economic Agreement with the central Spanish government is regulated. He concludes that in spite of the profound upsets caused by the pandemic, especially at its outset, the Basque tax authorities continued to regulate and manage their respective tax systems, responding to the needs of taxpayers and using tax revenue to fund the quota payable to the central government and meet the financing needs of the Basque public sector.

The second block comprises articles that analyse the measures introduced in response to the consequences of the pandemic. An article from South Korea by **Kisu Kwon, Inkyo Cheong, Kyoungseo Hong, Valijon Turakulov** and **Jinjin Mou** explains how the country tackled the pandemic, and what measures the Korean government set in place to combat it and prevent it from spreading. This is a significant case study, because South Korea is seen as a success story in terms of its low levels of infection and deaths (around 2,400 people out of a population of over 51.3 million). The authors state that this can be attributed to the fast, systematic application of the «3 Ts»: testing, tracing and treatment.

José Ignacio Jaca and **Iñigo Saizabal** describe the economic measures set in place by the Basque Government, to tackle the Covid-19 crisis. From the outset, the

Basque Government deployed a raft of measures in the fields of healthcare, SMEs and the self-employed, education, social policies, tourism, trade and culture that sought to meet growing needs and contain the sharp economic drop that was taking place. This entailed reinforcing healthcare and education services, supporting the operation of businesses through measures to favour liquidity and solvency and protecting household incomes. The second part of the article links these short-term measures to EU funding from the MRR mechanism, under the New Generation initiative, which is intended to help speed up recovery from the crisis and transform the economy to make it more productive, environmentally-friendly, digital and socially resilient.

In his article, **Bart Kamp** describes the problems that have arisen and still persist in the supply chains of globalised companies. He looks at the underlying causes of the breaks in the supply chain when the pandemic broke out and at the different strategies applied to deal with them, especially among Basque companies. He states that the process of globalisation of the economy is not expected to break down, but that adjustments will be required in the way in which multinationals and supply chains organise their global operations. Internationalised businesses will need to place more emphasis on risk management and adopt advanced digital methods to gather market information and keep a constant watch on the supply chain. In the longer term, the author believes that maintaining a local presence will become increasingly important and that foreign investment by multinationals will become focused more on the search for markets rather than on increasing efficiency. This increasing regionalisation of global supply chains could create increasing opportunities for within-region suppliers capable of filling the gaps that arise.

Luz Sánchez completes this block with an article on the dilemma and the debate ongoing in the field of mercantile law and patents as to whether vaccines should be regarded as goods that should be accessible to the population of the whole world and the right of pharmaceutical companies to make a financial return on their investments. This debate is especially relevant in the current circumstances, in which conventional arguments are supplemented by the urgent need to roll out Covid-19 vaccines worldwide in a quick, fair, equitable manner. The author looks at earlier experiences with similar connotations and analyses the legal mechanisms available to bring down the tensions between the parties involved. She maintains that the key is to reinforce cooperation at all levels. On that basis, she states that it is essential that exclusive patent rights should not be an obstacle to the production and distribution of the vaccines, treatments, diagnostics and medical equipment needed to tackle worldwide public health needs.

Along similar lines, the brief essay by **Enrique Feás** sets out the concept of European strategic autonomy put forward by the EU to tackle problems of governance arising during the pandemic. He states that EU procurement of vaccines, followed by an industrial policy that seeks to reduce over-dependency on exterior sources

while maintaining exports, could be a good example of open strategic autonomy. He believes that the crisis arising from the pandemic and the «vaccine war» contains two interesting lessons from the viewpoint of European integration: first, in a crisis institutional solutions are always faster and more effective than inter-governmental ones. And secondly, in the field of industrial and trade policies the key is to eliminate dangerous dependencies at European level and diversify suppliers while maintaining a flow of trade that enables European and global value chains to remain operational.

In the second brief essay, **Antonio de Lecea** argues that cooperative responses are better at tackling external effects in the framework of European governance. The initial government responses to the crisis in Europe were unilateral, but as its negative effects became clearer governments finally agreed to set up and use the common management instruments that they had previously ruled out. If those instruments had been set in place earlier, many human lives and financial costs would have been saved. The author concludes by stating that the experience gained during the crisis is significant for the institutional development of the EU, for global governance and for the multi-tier governance frameworks of Member States.

REFERENCES

- BALLUERKA N, *et al.* (2020): Las consecuencias psicológicas de la Covid-19 y el confinamiento. Informe de investigación. Available at: https://www.ub.edu/web/ub/ca/menu_eines/noticies/docs/Consecuencias_psicologicas_COVID-19.pdf
- CEPR PRESS (2020): Mitigating the COVID Economic Crisis: Act Fast and Do Whatever It Takes. VoxEu.org Book.
- OCDE (2021): Government at a Glance 2021, OECD Publishing, Paris, <https://doi.org/10.1787/1c258f55-en>
- THE ECONOMIST (2021): «Millions of lives depend on how the pandemic ends», 2021 October 16th.