

**Association of Economic Universities  
of South and Eastern Europe and the Black Sea Region (ASECU)**

**SYSTEMIC CRISES  
TRIGGERED BY CONTEMPORARY PANDEMIA  
& PROGRESSIVE WAY-OUT**



**Proceedings of the 1<sup>st</sup> Teleconference**  
of the Association of Economic Universities of South and Eastern Europe  
and the Black Sea Region (ASECU)  
May 8, 2020

ISBN 978-618-83699-1-7



**Systemic Crises Triggered by Contemporary Pandemia  
& Progressive Way-Outs**

**1<sup>st</sup> Teleconference** of the  
Association of Economic Universities of South and Eastern Europe  
and the Black Sea Region(ASECU)  
(May 8, 2020)

ASECU, 2021, viii, 65 p.p.

ISBN 978-618-83699-1-7

An author bears the full responsibility for the original ideas of their work as well as for the mistakes made solely by them.

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**SESSIONS AND PANALISTS****1<sup>st</sup> Session MACROECONOMIC**

**Grigoris Zarotiadis**, PhD, Associate Professor, President of Association of Economic Universities of South and Eastern Europe and the Black Sea Region (ASECU), Dean of the Faculty of Economic and Political Sciences in Aristotle University of Thessaloniki, Greece

**(MODERATOR OF THE 1ST SESSION)**

Grigoris Zarotiadis studied economics in Johannes Kepler University of Linz – Austria. During his PhD he spent a year in UMIST (University of Manchester – Institute for Science and Technology). Currently, he serves as an Assoc. Professor in the School of Economic and he is the Dean of the Faculty of Economic and Political Sciences in Aristotle University of Thessaloniki (AUTH). He is the President of the Association of Economic Universities of South and Eastern Europe and the Black Sea Region – ASECU and the Institute for Social Studies “Dimitris Mpatsis”. Besides, he is chairing the newly established Center for Social Research and the Interdisciplinary Laboratory for Black Sea and Mediterranean Studies in AUTH. His research covers the fields of international economics, economic development and economic growth, having a plentiful record of international academic publications and relevant citations. Since 2000, he is an Independent, Non - Executive Member of the Board of DROMEAS S.A.

**Iraj Hash**, PhD, Emeritus Professor of Economics at Staffordshire University, UK, Former Director of Centre for Research on Emerging Economies

Iraj Hashi is Emeritus Professor of Economics at Staffordshire University, Stoke on Trent, United Kingdom where he has been working since 1978. In addition to his teaching and research duties at the University, he has been actively engaged in teaching, research and consultancy in Central and East European transition economies since 1992. He has worked with universities and research institutions in Albania, Bosnia-Herzegovina, Croatia, Czech Republic, Kosovo, Macedonia, Poland, Romania and Russia on a range of projects dealing with economic challenges of transition in these countries. His recent research has focused on the internationalisation of SMEs, innovation and SME performance, Spillover Effects of FDI, innovation, and entrepreneurship and economic growth.

**Prof. Dr. Tatyana Hubenova-Delisivkova**, Researcher in Economic Research Institution of Bulgarian Academy of Sciences, Bulgaria, President of the Union of Economists in Bulgaria.

Tatyana Hubenova-Delisivkova is a Professor and Researcher at the Economic Research Institute of the Bulgarian Academy of Sciences. Her research interests are in the area of international monetary relations, international capital markets, monetary integration in the EU. She has been involved in various research projects commissioned by national and international institutions. Since 2017 Prof. Hubenova-Delisivkova has been the President of the Union of Economists in Bulgaria.

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**Prof. Dr. Jeffrey D. Sachs**, University Professor and Director of the Center for Sustainable Development in the Earth Institute at Columbia University, New York, USA.

Jeffrey D. Sachs is a University Professor and Director of the Center for Sustainable Development at Columbia University, where he directed the Earth Institute from 2002 until 2016. He is also Director of the UN Sustainable Development Solutions Network and a commissioner of the UN Broadband Commission for Development. He has been advisor to three United Nations Secretaries General, and currently serves as an SDG Advocate under Secretary-General Antonio Guterres.

**Michael Hudson**, President of the Institute for the Study of Long-Term Economic Trends, Wall Street Financial Analyst, Distinguished Research Professor of Economics at the University of Missouri – Kansas City, MO, USA.

Michael Hudson is the President of the Institute for the Study of Long-Term Economic Trends (ISLET), a Wall Street Financial Analyst, Distinguished Research Professor of Economics at the University of Missouri, Kansas City and author of *J is for Junk Economics* (2017), *Killing the Host* (2015), *The Bubble and Beyond* (2012), *Super-Imperialism: The Economic Strategy of American Empire* (1968 & 2003), *Trade, Development and Foreign Debt* (1992 & 2009) and of *The Myth of Aid* (1971), amongst many others. SLET engages in research regarding domestic and international finance, national income and balance-sheet accounting with regard to real estate, and the economic history of the ancient Near East. Michael acts as an economic advisor to governments worldwide including Iceland, Latvia and China on finance and tax law.

**Prof. DSc. Statty Stattev**, Director of Institute of Economics and Politics at University of National and World Economy, Sofia, Bulgaria, Former Rector of the University of National and World Economy.

Statty Stattev is a Professor of Macroeconomics and Political Economy at the University of National and World Economy (UNWE) where he was the Rector in two consecutive mandates in the period 2011-2019. Since 2012, he has been Deputy Chairman of the Rectors' Council in Bulgaria. Prof. Stattev is Director of the Institute of Economics and Politics and Head of the Economics Department at the UNWE. His research interests are in the field of the theory and methodology of macroeconomic analysis; financial development and economic growth; economic growth, efficiency and economic structures, where he has more than 180 scientific publications in Bulgarian, English, Russian, Polish, Greek, Serbian and Albanian. Prof. Stattev was Member of the Governing Council of the Bulgarian National Bank and Chairman of the Bulgarian Mint Board of Directors. Currently, he is Chairman of the Audit Committee of United Bulgarian Bank.

## **2<sup>nd</sup> Session BUSINESS ASPECTS OF PANDEMIC CRISIS**

**Prof. Leonid Nakov**, PhD, Secretary General of ASECU, Full Professor at the Ss. Cyril and Methodius University in Skopje, Faculty of Economics – Skopje, North Macedonia

### **(MODERATOR OF THE 2ND SESSION)**

Secretary General of ASECU, Senator of WBAF (World Business Angels Investment Forum) for North Macedonia, national trainer of the prominent Adizes TopLeaf methodology of Management, Leadership and Organizational changes, national expert of EBRD on TAM BAS, UNDP expert, national CEED lecturer etc. Full Professor at the Ss. Cyril and Methodius University in Skopje, Faculty of Economics – Skopje, teaching Fundamentals of Management, Change Management and Business Ethics, author of more than 60 international and national scientific - research papers, member of Scientific Boards of several management journals, project leader and participant in 14 projects, reviewer and evaluator at numerous conferences.

**Prof. Joseph Chih-Yuan Hung**, PhD, National Tsing Hua University, Taiwan.

Joseph Chih-Yuan Hung is the director of department of international business and Management at Dongguan University of Technology, China. His research interests include Industrial Organization, Contract Theory, Supply Chain Finance and Economics of Information. He is the author or co-author of over 5 academic papers in area of industrial economics (e.g. Impacts on Labor Cost Caused by the Substitution of Robots, an Empirical Evidence of Manufacturing Firms at Dongguan), organizational economics (e.g. An Agency Theory on Integration vs Outsourcing as a General Equilibrium), and auction theory (e.g. The Bertrand Competition with Endogenous Sunk Cost).

**Prof. Arben Malaj**, Former Minister of Finance and Economy, Albania.

Arben Malaj has been graduated in Finance at the University of Tirana in 1986. During 2005-2006 attended Harvard Kennedy School (HKS), as Senior Fellow at M-RCBG, focusing on research on Western Balkans European integration. In 1997-1998, he served as Minister of Finance; 2002-2003 Minister of Economy and during 2004-2005 Minister of Finance. 2016-2019 Member of supervisory Board of Central Bank of Albania. He is the Honorary President of IPPM of the Institute for Public Policies and Good Governance. He is concentrated in banking sector reform, public finance management, good governance, higher education, etc.

**Prof. Tomasz Mroczkowski**, Professor at American University, Washington D.C., USA.

Tomasz Mroczkowski teaches International Business and Management in Emerging Markets courses in the MBA program. His current research interests include knowledge management, international outsourcing and globalization of R&D and comparative innovation policies in emerging economies. Professor Mroczkowski has lectured at universities in Japan and Europe, including the National Defense Academy of Japan, Copenhagen Business School, University of Cambridge, University of Paris-Sorbonne and the ESCP-EAP in Paris. He has conducted executive development seminars for leading American and European companies, such as GM, AT&T, Union Carbide, GE and Polaroid. Mroczkowski has been a recipient of a number of grants, including awards from the Andrew A. Mellon Foundation, the US Agency for International Development and the German Marshall Fund of the US.

**Dr. Vasily Vysokov**, Professor of Economics at Rostov State University of Economics, Rostov-on-Don, Russia, Chairman of the Board of Directors of Center-Invest Bank.

Vasily Vysokov is a Professor of Economics at Rostov State University of Economics, Rostov-on-Don, Chairman of the Board of Directors of Center-Invest Bank, one of leading regional banks of the Russian Federation. Prominent innovator in banking and finance sphere of Russian economy in basic ESG-banking business model. Permanent Participant of the World Economic Forum in Davos. The author of more than 350 scientific publications on he problems of the economy in transition, privatization, sustainable business and the regional economy.

**Prof. Masayuki Susai**, Professor of International Finance at the Faculty of Economics, Nagasaki University, Japan.

Prof. Masayuki Susai is a Professor of International Finance at Faculty of Economics, Nagasaki University, Visiting professor at Business School of University of Sydney. President at Dejima Research and Consults. Co. Academic memberships: Society member at Japan Finance Association, Japan Society of International Economics, Japan Society of Household Economics etc. Previous distinctive academic and professional memberships: Board member of Crisis & Risk Management Society of Japan, member of Secretary of Japan Business Analysis Association, Board member of Japan Society of Household Economics, member of the

Review Committee in Social Science at Japan Society for the Promotion of Science, member of the Committee for Credit Card network in Japan, etc.

### **3<sup>rd</sup> Session SOCIETAL ASPECTS OF PANDEMIC CRISIS**

Prof. **Ioannis Theodossiou**, PhD, University of Aberdeen, the UK. Professor in Economics, Director of the Centre for Labour Market Research

#### **(MODERATOR OF THE 3RD SESSION)**

Ioannis Theodossiou is a Professor in Economics and Director of the Centre for Labour Market Research. He has been a member of the University Council at the University of Thessaly, Greece, Adjunct Professor at the National Institute of Labour Studies, Flinders University Australia and a member of the Council of the Scottish Economic Society. His research interests lie mainly in applied labour and health economics, macroeconomics, applied microeconometrics. His current research focuses on issues related to the effect of socioeconomic conditions and unemployment on health and well-being, on the analysis of the unemployment and on issues related to pay determination. His publications include edited volumes, chapters in books and c80 research papers in peer reviewed journals He has published several chapters in books and a book titled 'Wage Inflation and the Two-Tier Labour Market'. He has received several grants by National and European funders including the European Commission. He is a Fellow of the Royal Statistical Society.

Dr. **Arjan Gjonça**, Associate Professor of Demography at London School of Economics and Political Science, UK.

Arjan Gjonça started his career as an assistant professor at University of Tirana, Faculty of Economics, Albania. His work experience includes institutions such as Max Planck Institute for Demographic Research; University of Southampton, Department of Social Statistics; University of Bocconi, Dondena Centre for Research on Social Dynamics and Public Policy (as visiting professor), Department of Social Policy at London School of Economics, and finally Department of International Development. Dr. Gjonca is a member of different professional bodies, including International Union for the Scientific Study of Population (IUSSP), British Society for Population Studies (BSPS), European Association for Population Studies (EAPS), Population Association of America (PAA), and many more. He has held and continues to hold honorific positions such as the Honorary Secretary of the BSPS from 2001-2004, and a member of the council from 1997 till 2004; the vice-president of DemoBalk Association; more recently the Chair of the Accreditation Board for Higher Education in Albania.

Assoc. Prof. **Matjaž Koman**, PhD, Associate Professor of Economics in School of Economics and Business at the University of Ljubljana, Slovenia.

Matjaž Koman is an associate professor of economics at the University of Ljubljana, School of Economics and Business. He got his PhD from University of Michigan and was visiting researcher at Columbia University (USA) and National University of Singapore. His research focuses on economics of transition and labour economics, with special emphasis on firm behavior and firm's productivity issues. He published a number of articles, among them also in Journal of Comparative Economics and Eastern European Economics. He was also involved in several national and international projects. He teaches microeconomics, managerial economics and mathematics for economists.

Dr., Prof. **Józef Oleński**, Center of Regional and Cross-Border Research of the University of Rzeszow, Poland, Former Chairman of the UN Statistical Commission and Vice-Center of Regional and Cross-Border Research of the University of Rzeszow Chairman of the Conference of European Statistics, Former President of the Central Statistical Office in Poland.

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Józef Oleński is a Polish professor of economic sciences, president of the Central Statistical Office in 1992–1995 and 2006–2011. In the years 1974-1991 he was the deputy director and director of the Statistical Research and Development Center of the Central Statistical Office. He was also an adviser to the president of the National Bank of Poland, chairperson of the UN Statistical Commission and vice-chairman of the Conference of European Statistics. Since 2000, he has been an employee of the Faculty of Economic Sciences at the University of Warsaw. Now he is holding position at Center of Regional and Cross-Border Research of the University of Rzeszow. He held the office of the CSO president from February 8, 1992 to October 31, 1995, and was re-appointed on October 26, 2006 by to February 14, 2011.

**Dr.T. Sabri T. Öncü**, Economist, Istanbul, Turkey.

Dr.T. Sabri T. Öncü holds degrees in mechanical engineering, applied mathematics and business research. In addition to his years of experience at institutional money managers in the US, he had served as the Head of Research at the Centre for Advanced Financial Research and Learning (CAFRAL), Reserve Bank of India (RBI), Mumbai, and a Senior Economic Affairs Officer at the United Nations Conference on Trade and Development (UNCTAD).

**Dr. Jelena Žarković Rakić**, Professor at Faculty of Economics, University of Belgrade, Serbia.  
Director of Foundation for the Advancement of Economics

Jelena Žarković Rakić is an Associate Professor at the Faculty of Economics, University of Belgrade, Serbia and director at the Foundation for the Advancement in Economics. Her main research interests are the labour markets, poverty and income inequality effects of tax and benefit policies. She has been involved as a project coordinator and/or researcher in a number of projects financed by the European Union, World Bank, Department for International Development, UK, and Swiss Agency for Development and Cooperation. Jelena held courses to civil servants of the Government of Serbia on the preparation of public policy proposals and evaluation of public policies. She participated in a number of congresses, seminars and workshops in Serbia and abroad and published articles in journals like Cambridge Journal of Economics, Economics of Transition, Post-Communist Economies and International Journal of Micro-simulation. Jelena speaks English, French and Italian.

**SYSTEMIC CRISES TRIGGERED BY CONTEMPORARY PANDEMIA  
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**<Grigoris Zarotiadis>** Dear colleagues,

I welcome you all, those who are already online and connected. My name is Grigoris Zarotiadis; I am here representing, along with Oleg Bodyagin, the Association of Economic Universities in South-Eastern, Eastern Europe and the Black Sea, and I would like to give the floor to our Vice-President, Oleg Bodyagin, for a welcoming address and for clarifications with respect to the content of today's conference. Please, Oleg.

**<Oleg Bodyagin>** Thank you, Grigoris. Good afternoon. Dear participants of the 1<sup>st</sup> ASECU Teleconference 'Systemic Crises Triggered by Contemporary Pandemia & Progressive Way-outs'. In Russia we often greet each other saying "Zdravstvuyte", which could be translated into "I wish you to be healthy". So, my name is Oleg Bodyagin, I represent Rostov State University of Economics in Russia, and I am the Vice-President of the Association of Economic Universities of South and Eastern Europe and the Black Sea Region, i.e., ASECU.

The 1<sup>st</sup> ASECU Teleconference was initiated by our President and the Chair of the Conference Scientific Committee, Professor Grigoris Zarotiadis – hello, Grigoris, again – and has been realized in a very short time period, thanks to the effective efforts of strong teams of scientific and organizing committees of the Association, with the valuable support of our partners, forming BSEMAN, the Black Sea and Eastern Mediterranean Academic Network. Following the words of Martin Luther King, "I Have a Dream", I would add "I have a dream" that this teleconference would never have to take place. I believe all of us do so. Although we cannot change what has already happened -these unexpected and tragic things- we can and must respond to them.

ASECU Academic Community cannot but keep up with times, critical phenomena for their countries and the whole world, and, with this teleconference, is trying to address the systematic crises triggered by the contemporary pandemic, which dealt a painful and very strong blow to global economy, individual countries and people. The pandemic crisis we are facing hastens and intensifies, rather than generate, the evolution of underlying structural systemic bottlenecks and inefficiencies and their resulting multi-dimensional crises. The main objective of today's meeting is to introduce relatively operational, rapid, but, at the same time, evidence-based solutions and strategies to tackle the enormous challenge represented by the black swan of the pandemic crisis, which has already damaged and will continue to damage global economy and countries, business and firms, and, of course, people.

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Now I would like to say a few words about our Association, the Association of Economic Universities of South and Eastern Europe and the Black Sea Region, i.e., ASECU, which started its history in November 1996, when, following an initiative by the Rector of the University of Macedonia, Greece, Professor Yannis Tsekouras – who is now an Honorary President of ASECU and also a member of the scientific committee of our conference, thirty-two economic Universities and Schools approved the ASECU statutes at the founding meeting. One of the founders of the Association, Professor Statty Statev will be a panellist in the first session of our conference today.

Today the Association includes 55 leading Universities from twenty countries. The Association is actively involved in the research and educational life of the participating countries. Every year it holds an international scientific conference. To date, 15 such conferences have been held. The 16<sup>th</sup> is scheduled for October this year in Novosibirsk, Russia. Today we are hosting the first Association Teleconference, which is to be published in the South-Eastern Europe Journal of Economics, the next issue of which will also be dedicated to the topic ‘Systemic Crises Triggered by the Contemporary Pandemia& Progressive Ways-Outs’. In 2011 a significant event took place in the life of ASECU.

Following an initiative by Rostov State University of Economics, the Association decided to create the Students’ Association of Economic Universities of South and Eastern Europe and the Black Sea Region, namely ASECU Youth. The first meeting was held in Rostov, together with the first summer school and conference of ASECU Youth. Since the establishment of ASECU Youth, eight summer schools and conferences and one winter school have been organized. ASECU Youth enables the Association to be dynamic and progressive.

The president of ASECU Youth, Milena Balanova, is Chair of the organizing committee of our Teleconference. The team of the organizing committee has done a great job in preparing this teleconference and now provides the opportunity for your active participation in this meeting. We will help moderators to get your questions and address them to the speakers. We are coming to the start of our first session and I’d like to give you some brief information about how the conference will be organized.

We have three sessions in our teleconference, a platform for lively discussion on the three aspects of the pandemic crisis: macroeconomics, business, and societal issues. Each one of the three sessions will consist of up to six panellists. Our panellists are very famous, invited world leading experts in their respective fields. Each panellist will have the possibility to speak for five minutes presenting the main points of his/her intended contribution. Regarding the rest of the session, the moderator will coordinate an open discussion among panellists, based on the main ideas presented, as well as the questions that will be posted on the Facebook page of our conference or provided via WhatsApp.

All participants registered for the 1<sup>st</sup> ASECU Teleconference will receive a certificate of attendance via e-mail indicated in their registration form, during the two weeks following the Teleconference. The proceedings of our Teleconference, as well as a video recording of the conference, will be posted on the official website of ASECU and ASECU Youth. Our next steps will be the following: One of the next volumes of the South-Eastern Europe Journal of Economics will be dedicated to the topic

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'Systemic Crises Triggered by Contemporary Pandemia and Progressive Way-Outs'. ASECU also plans to initiate the publication of a collective volume on the topics of today's Teleconference, with the participation of today's speakers as authors or editors. So, that's it for now and, Grigoris, the screen is yours.

**1<sup>st</sup> Session MACROECONOMIC**

<Grigoris Zarotiadis> Thank you, Oleg. As we have already heard, the first session of our conference will be on the macroeconomic aspects of the issues generated and triggered by the coronavirus pandemic.

Allow me to repeat in alphabetic order the participants in the first session, adding a few words about each one of them. We will start with Iraj Hashi; he is Professor Emeritus at Staffordshire University in the U.K. and former Director of the Centre of Research on Emerging Economies. We have with us also Professor Dr. Tatiana Hubenova-Delisivkova, member of the Bulgarian Academy of Science and, also, the President of the Union of Economists in Bulgaria. The third panellist is Michael Hudson, President of the Institute for the study of long-term economic trends, a Wall Street financial analyst and distinguished research Professor of Economics at the University of Missouri in Kansas City. Next, we have the pleasure to have with us Dr. Jeffrey Sachs, University Professor and Director of the Center for Sustainable Development at The Earth Institute of Columbia University and also Advisor, Advocate under UN Secretary-General, Antonio Guterres, specifically responsible for the SDGs and the Sustainable Development Solutions Network (SDSN). Finally, in our panel participates, as we have already heard from Oleg, Professor Statty Statev, Director of the Institute of Economics and Politics at the University of National and World Economy in Sofia and former Rector of the same University.

As we have already said, in the first part each one of the five panellists will have the possibility to address the macroeconomic aspects in the international context of the present pandemic; allow me, also, to say just a few words, in this direction, as an introductory note.

During the last weeks, International organizations and local institutions have been adjusting their predictions with respect to the impact of the coronavirus on national and world GDPs, starting from zero growth, in the beginning, and coming to forecasts that include double-digit recession values worldwide. To counterbalance the well-justified pessimism of citizens, workers and producers/manufacturers, many analysts also refer to the so-called phenomenon of economic rebound in their effort to convince the public about the impermanence of any negative effects and shocks. Indicatively, the European Commission, just a few days ago, issued, published, a revised forecast and announced that for Greece, for instance, the recession will be almost -10% in 2020, but it will return into a dynamic recovery of +8% in 2021.

Regardless of how realistic any economic rebound may be and how quickly this may emerge, analysts might deliberately overlook some things. Another possible macroeconomic outcome, a negative one, similar to a different natural phenomenon, concerns concurrent destabilizing fluctuations. An induced temporary GDP fluctuation may have severe economic effects, when it

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appears at the same time in almost all economies worldwide. If we take into account the significance of structural weaknesses pre-existing in world economy, the risk of collapse is more than obvious. On the other hand, even if we accept that the structures of contemporary world economy are sufficiently stable, the risk, if not the certainty, of a profound social and political imbalance remains, as a result caused by comprehensive temporary economic fluctuations. Even if we fully recover, in terms of per capita GDP, it is, unfortunately, more than likely that a few million workers and self-employed people may be hard affected.

At this point, allow me to clarify the following: I do not support the cynical view that any effects on the economy can counterbalance the protection of human life. However, the political mix that we use to tackle and redistribute the consequences of precautionary measures is obviously a point of discussion and, perhaps, also of criticism for the national and international policies implemented.

In that sense, I think that there is a way out in this situation, a progressive way out. It is actually an opportunity that we have ahead of us, and I will try to describe this way out, in the three following steps: first, a combined bundle of financial interventions to help de-escalate the financial bubble, while, on the other hand, creating the necessary fiscal space globally; coordinated monetary expansion of major currencies worldwide, issuance of a universal developmental bond, even at zero interest loans and proportional haircut of government bonds internationally, especially, in the areas of the world where the necessity for that is extremely high. The second step is to utilise this fiscal space created so as to initiate global economic growth by financing public infrastructure investments and public or private productive investments, especially in the developing regions of the world, to reduce spatial inequality and strengthen, at the same time, social and environmental sustainability in the context of the 2030 SDGs. The third step, for reducing social inequality is the following: I think that along with the previous two trajectories, we should think about imposing a courageous horizontal reduction of labour time, while maintaining at least the level of real wage.

All these activities require radical, realistic thinking, and, at the same time, international collaboration, and coordination.

Thank you for being here with us; allow me to follow the alphabetical order, and proceed by giving the floor to Iraj Hashi for his first five-minute contribution (please, excuse me in case I mispronounce your name). Please, Iraj.

**<Iraj Hashi>** Good afternoon, colleagues and friends. It is very nice to be here with you, despite the distance. These days we hear from politicians, all over the world, that we are in this all together. Well, we know that the coronavirus has hit Prime Ministers and Ministers, as well as porters in hospitals and unemployed people, but, actually, we are not all in this together. And that is what I would like to talk about: Covid-19 and inequality.

Of course, the starting point of the pandemic was the unpreparedness of health services in most countries for this pandemic. And, to a large extent, this was the result of a decade of austerity. In the United Kingdom, certainly since 2010, the health service, as well as other public services, have been under severe cuts to their budgets. Health services were pared to the minimum, to the bone, during this period. There were not enough ICU beds, there were not enough ventilators, there was not enough personal protective equipment, testing equipment, etc. In addition, the health service had

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something like 40,000 job vacancies for posts from doctors to porters, which they could not fill, and this, of course, was exacerbated by the Brexit process. So that was the background.

Health inequalities existed across different socio-economic and different ethnic groups, had been well- established, were a feature of certainly the 20<sup>th</sup> century, I mean the 21<sup>st</sup> century, sorry. And, particularly in the decade of austerity which allowed income inequalities to increase, health inequalities also expanded to the point that, in fact, this year, that is, 2019 for the first year, there was a fall in life expectancy in certain areas of the United Kingdom, for the first time in decades. So, health inequalities also expanded during this pandemic.

Now, the impact on social-economic groups in the U.K., we can look at, of course, concerns inequalities in many ways, but one good way is to start from socio-economic groups. About 10% of the most deprived areas have a death rate of 55.1 per hundred thousand people: 55.1. In about 10% of the least deprived areas the death rate per hundred thousand is 25.3. In other words, the poorer 10% areas already present double the death rate per hundred thousand compared to richer areas. And then, within these poorer areas, there is a borough, Newham, in London, which is the poorest borough in the country, and its death rate is 144 per hundred thousand, when, in richer boroughs, the rate is under 10 per hundred thousand. So, disparities across, between, rich and poor areas, are definitely huge.

However, what is more interesting, and glaring is the difference across various ethnic groups. The first ten medical doctors who died from the coronavirus in the UK were all BAME members, i.e., Black, Asian and Minority Ethnic Groups. And this obviously raises the question 'why'. They are not poor, they are not uneducated, but, still, their mortality rate is incomparable to that of white physicians. Of course, then, it quickly became obvious that amongst the people who were hospitalized, Black, Asian and other Ethnic Minority Groups were overrepresented among victim cases, compared to their share of population, and amongst the dead, too.

We know, now, that ethnic minority groups have certain characteristics. For example, some of them have severe underlying health conditions. We know that they live in overcrowded accommodation in densely populated urban areas. We know that they are generally younger than white British population. We know that they suffer from occupational exposure in the frontline against pandemics. They work in hospitals, often in lower-grade jobs, such as nursing assistants and cleaners, and, also, in the public transport sector, where they are overrepresented. But, in addition, they are also highly exposed to shutdowns and lockdowns, because they work in shut-down industries, they are self-employed and have single-earner households. So, ethnic minorities, are already at a disadvantage to start with, and this, of course, is reflected in the mortality rate. I'll try to share....

<**Grigoris Zarotiadis**> Professor Hashi, may I shortly try to keep the five-minute spirit for the beginning? You will also have the opportunity to continue in the second round. So, if you, please...

< **Iraj Hashi** > Yes. I would just like to share a graph with you. I don't know whether... do you see this graph?

<**Grigoris Zarotiadis**> Yes.

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< **Iraj Hashi** > Ok. This is, I'm just trying to... I will stop here. You can see that this is a graph: What is shown on the horizontal axis is how many times the white population and ethnic minorities are likely to die of COVID-19. And on the vertical axis there are different ethnic groups. The Black African and Caribbean groups have more than four times, are more than four times more likely to die of Covid-19 than the white population. Bangladeshi and Indians are slightly less likely, at around 3.5 times, and the rest even less so. Of course, half of these disparities are explained by age, demographic characteristics and underlying health and socio-economic conditions. But even if these are stripped away, we still get highly unequal susceptibility to death by Covid-19. I'll stop at this point.

<**Grigoris Zarotiadis**> Thank you very much.

<**Iraj Hashi**> Thank you.

<**Grigoris Zarotiadis**> OK. Thank you. Thank you, Professor. And we can continue with the first contribution of Professor Tatiana Hubenova-Delisivkova. For five minutes, if possible, please. You will, all of you, have the possibility to present counter arguments later.

<**Tatiana Hubenova-Delisivkova**> Thank you. Let me greet everybody and, especially, the organizers for choosing the topic of this conference, because we are contemporaries facing humanity problems extremely equal for all, which probably makes us think based on common values and what professor Hashi has underlined as the multicultural, ethnic version of a country's problem in fighting the coronavirus.

This is very interesting in cases of a country such as Bulgaria, where we had a problem, though I wouldn't start with this problem. It has to do with some minorities, the Roma population, who have been labour- migrants at the time of our European integration. In the last ten years or so, these have been the weakest social group: they had the freedom to move in search of work, maybe to find less-paid jobs in West European countries, but they have been the first risk group to come back to the country. And they have been bringing a lot of problems, because they lack social security, they lacked it in western countries, as well, and they brought the contagious disease to the country, which placed extreme pressure on all our institutional order and required great efforts to fight the Pandemic.

I would like to say, in the short time I have, that in Bulgaria, during these last two months and a half, we have been under this quarantine; the resulting mitigation, which has been the purpose of the combined actions of case isolation, social distancing of the entire population, household quarantine, school and University closures that have been imposed – in all this short time, allow several conclusions to be drawn. First of all, our government has taken very rapid action to introduce the quarantine. This has cost a lot of political unrest maybe, let's say, because the people, to a certain extent, had to get used to the seriousness of the situation and the unprecedented way spread, which is an unknown fact. So far, there has been a cluster-type contagion, not dispersion spreading – and this is the success of government measures and the institutional regiment the health system introduced.

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I think that the second very important conclusion from Bulgaria's experience is that, now, this crisis shows we have to be deeply concerned about public order and public investments to ensure healthcare system reforms. This is because, even in the two recent weeks, the weakest points concerning contagion have been in specific regions, in two regions of Bulgaria; one of them is Vidin, the northern-western region of country, where the provision of beds, the number of beds per one thousand persons, you may see our official statistics, are very few. But this is not the reason for the spread. The reason is contagion, the mechanics of contagion that brought the virus through the mobility of labourers coming back from abroad and the mobility of low-paid labourers who were at risk and have come back to their home country.

The third very important conclusion from Bulgaria's experience is that, as an open country, we are very much dependent on the situation in the countries of our main trade partners and economic partners from the European Union, i.e., Germany and Italy, where not only the recession, the economic recession, dates back to last year, but also contagion and the fight against it; different methods have been used with different success rates.

Another important issue is that Bulgaria's situation, as a Member State of the European Union for the recent decade has been to follow a very strict fiscal discipline in order to achieve macroeconomic convergence with the European Monetary Union criteria so as to become a member of, to join the Eurozone. On the one hand, this is an advantage, because our indicators for the budget deficit and for gross total government debt give us the capacity to allow for some worsening of the balance achieved, in case that high budget expenditures are made. Besides, this government, our government has also introduced a decision for increasing the powers of the parliament, increasing the level of the government debt, by special law, so as to allow for more successful implementation of the measures to mitigate the spread of the coronavirus, the pandemic.

The interventions, I have just presented, I think, have concluded their first stage. We have been, for several days, by decisions of our institutions, in expectation of the second stage of economic measures, to support, in particular, businesses, the business of middle, small and medium-sized companies, which have been hard-hit by the coronavirus, especially in the tourism industry, in the restaurant sector, in other services, and transport services, in particular. And this is another systemic issue: to what extent the national specialization in international tourism, international services, transport, as well, makes us very vulnerable to such a crisis of international scale, international crises, which are very quickly transmitted through employment, through business agents, transmitted to the level of incomes of households and the population. I think that all these issues are yet to be treated, because I'd like to end with something which our Institute, the Economic Research Institute, prepared nearly one month ago, three scenarios for the outcome of the epidemic crisis.

**<Grigoris Zarotiadis>** Professor Hubenova, may I? We should, in this first round, try also to limit your time; later, you'll have the opportunity to add those proposals of the Institute.

**<Tatiana Hubenova-Delisivkova>** Yes, with pleasure. I will conclude with one general consideration. The consideration of uncertainty. Uncertainty, as an economic issue, is an issue which makes it necessary for social values to be reconsidered. Social values, which are also part of

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the whole concept of sustainable development, of equality, of decreasing disparity -social disparities- so all these issues have yet to be discussed. Thank you.

**<Grigoris Zarotiadis>** Thank you very much, Professor. Forgive me for trying to limit the first contribution of each one of you, because I see that there are already many messages in the Facebook channel and we have a lot of questions to deal with. Allow me also to clarify, that in case we will not have the time during the session, these questions will also be sent to you in order to be answered for the proceedings. We have already more than 300 participants who have applied with their specific contact details, and the number of viewers through live streaming keeps increasing.

I propose now, to change the sequence of speakers and, if Michael Hudson allows me, I'll give the floor to Jeffrey Sachs, because I think that he has to leave us afterwards. We already have also a question that could be answered, perhaps in this first contribution by Professor Sachs: do you think that sustainable development goals have to be revised in response to the pandemic. Professor the floor is yours.

**<Jeffrey Sachs>** Thank you very much. Grigoris thank you for hosting us. Indeed, I have to go just after my presentation, because of another video conference. So, thank you for letting me jump in and apologies to Michael, but I'm sure you'll be making a wonderful presentation in a moment.

Dear Colleagues, the global crisis today is extraordinary, indeed unprecedented in modern times. It will be the deepest economic crisis since the Great Depression, and if we are stupid, it will be as serious as the Great Depression. The Covid-19 pandemic is certainly is the most momentous event for humanity since World War II. What was said in the introduction of our program about the need for a smart, ethical, sustainable way forward, is exactly right. This is what we, as intellectuals, should be putting forward. My country is in the hands of the biggest fool we have ever had as President of the United States. He is a psychopath—I want to use a good Greek term—causing the deaths of more than 120,000 Americans so far through his lack of concern and his ineptitude.

This is a tragedy and I don't say it to provoke, I say it to explain. We have 75,000 deaths; they will continue to rise sharply. They are rising at 2,000 per day at this point. Our government completely fails, totally fails to do public health. This is not to say there aren't heroes in the hospitals at the front lines, the policemen, the first responders, who are also getting sick. But because of the idiocy of our government, we are not isolating infected people, we are not contact tracing, we are not providing quarantining.

Because of the corruption of American politics, which was more interested in lobbyists and in inside deals than it was in competency, we don't even have tests that helped us in the first eight weeks of the epidemic. It got completely out of control. And my first message to every country is: the priority right now, bar none, is to stop the transmission of the disease. Public health is economics right now. There is no other economics but public health. And by public health I don't mean hospitals. I mean stopping the transmission of a pandemic. And if you want to be sure that this can be done, look at China, Korea, Taiwan, Vietnam, Australia, New Zealand. They have stopped the widespread transmission of the virus. They will open their economy faster. They will save lives.

The idiots running my country don't understand the most basic things. They are not just idiots, by the way, they are near fascists. This is what we're really confronting in the United States. It is the

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worst, most dangerous political situation we have faced since the Civil War, I would say. And I don't know how we will come out of it. It is just at the edge of survival of our democracy itself, and I'm not exaggerating; this is extraordinarily dangerous.

So please, first order of priority, stop the virus. That is not a hospital function, that is a public health function. That requires public health coders tracing every case, helping to isolate, helping to quarantine. It requires every business taking the temperature of every employee every day, of monitoring the symptoms of every worker every day. Otherwise, there is no safety in the workplace. It's not even possible to imagine going back to work safely. Again, the idiots in my country can't keep the factories open, because they don't understand the first thing about public health.

The US national government has completely failed to undertake basic public health measures. This is not to say there aren't heroes in the hospitals at the front lines, and the policemen, the first responders, who are becoming infected and dying in large numbers. Yet because of the foolish incompetence of our government, we are not isolating infected people, nor contact tracing, nor providing systematic quarantining. Because of the corruption of American politics, which was more interested in responding to lobbyists and to making inside deals than to fighting the epidemic, we didn't even have tests kits during the first months of the epidemic, which therefore got completely out of control.

My first message to every country is that the priority now, bar none, is to stop the transmission of the disease. Good public health is good economics. There is no way to rescue the economy other than by containing the epidemic. By public health I don't mean hospitals. I mean stopping the transmission of the virus. To see how this can be done, look at the methods used by China, Korea, Taiwan, Vietnam, Australia, and New Zealand. They have stopped the widespread transmission of the virus.

Those of us who are in intellectual occupations can largely work at home just fine. We don't have the most serious problems. People who have to go into the workplace need safety at the workplace. But that requires serious public health measures. For countries like Greece, with a big tourist sector, how to reopen the economy safely is the pre-eminent issue.

And for countries like Greece, which have a big tourist sector, how to reopen an economy safely, is the pre-eminent issue. You can't just open up saying "we have few cases". What will the security be? How to monitor intensively, how to keep the caseload low? For the Black Sea region, the biggest risk right now is Russia. Because there is an explosion of the epidemic taking place in Russia. We don't even know how much, but we know that the deaths are undercounted and that the cases are expanding very, very rapidly. So, this also requires regional cooperation, but, until then, closed borders basically.

And, without that kind of management, we won't get anywhere. There is a lot to talk about, time is very limited. If we were smart, which we're not – at least not in my country, we are not smart – but, if we were smart, we could have a V-shaped recovery. You can stop an epidemic within three months, and if you are good at this, with public health, you can reopen the economy - not the way it

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was before, but still reopen. But we are not smart. So, we are going to have waves of this epidemic, and we are not going to be able to open the world economy.

If Trump wins re-election, the United States will collapse politically and socially. And yet Trump might win re-election because he still has support of around 40 percent of the US population. We face a relentless onslaught of propaganda from the media that support Trump. Trump is likely to lose, but the stakes are very high and the outcome is of course uncertain.

In every country, we urgently need a politics for the common good, the kind that Aristotle wrote about when he argued that politics should be for the *eudaimonia*, the happiness and thriving, of the people. The vast majority of humanity wants this kind of politics: fair, honest, science-based, and solving problems for the world's peoples. As academics I believe that it is our responsibility to contribute to that aim

Do public health, that's my first to ten messages, because without stopping the epidemic, you cannot reopen the economy. Grigoris, I want a follow-up with you on your ideas about promoting a humane, wise, fair, decent approach, and just to say, it's not going to come from our politicians, at least not in my country. We are fighting our politicians. We are really in danger from our politicians. Because our system became completely corrupt and broken. So, we're going to have to do this, because the public wants this. Because this is for the common good. Your, a great university that has the name of my favourite philosopher, Aristotle, who said that politics is for the common good, for the *eudemonia* of the people, this is what we need to promote, an Aristotelian approach for global well-being. The vast proportion of humanity wants it, the Trump family does not want it, but this is really going to be our struggle.

So, thank you very much. Thanks for letting me share a few thoughts. I have to go, unfortunately, because I have to jump off for another call.

<**Grigoris Zarotiadis**> Thank you, Jeff. Thanks a lot. Now we can continue with the first introductory notes of Michael Hudson. Dear Michael, we are also very glad to have you with us. Please, take the floor.

<**Michael Hudson**> Well, I think you're quite right in organizing the conference to point out that today's pandemic crisis has tens and intensifies the internal contradictions that have been building up. Many of these contradictions are going to be blamed simply on the virus. But there is an underlying problem that the virus is exposing and turning into a crisis. That underlying problem is the debts that have been building up for the last few decades.

We are in a situation much like a war. There are winners and there are losers in a war. In this case the winner is the aggressor – the financial sector. Its demands for payment have set the stage for today's economic breakdown. This has been the case throughout history. Finance always has been the great destabilizing factor. Right now, you're having businesses – retail stores, restaurants, hotels, airlines and other businesses that are being closed down or operating at only a small capacity far below break-even levels. These businesses are not able to pay their stipulated rents or mortgage debt service. Their landlords are not able to pay their banks.

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Workers have been laid off, and they're unable to pay their landlords or creditors. So they are falling more deeply into debt. Entire states and the cities, like New York State and New York City, are being squeezed. In addition to having to pay local unemployment insurance, they have to maintain basic infrastructure and social services. But their tax revenues are plunging as a result of fewer sales taxes and income taxes. So the pandemic is creating a fiscal crisis as part of the overall debt and real-estate crisis.

The question is, how do we get out of it? What is happening is what legal contracts call an Act of God. What do you do when economic activity is disrupted and the flow of payments that people have every month – their debt service, their rents or their mortgage, or their credit cards and other basic ongoing expenses. What do you do when they can't be paid? I think that this crisis is laying the problem bare. It is a problem that's occurred in Western civilization for the last 2,000 years. But what is so striking is how much more adroitly ancient civilizations handled this problem. They did so in a completely different way from how other civilizations have handled things.

I have written quite a bit about Bronze Age archaeology in the ancient Near East. That is where the Act of God stipulation originated. It appears in the Laws of Hammurabi c. 1750 BC. The problem that the Babylonians had to deal with was what to do when there is a flood, a drought, warfare or a pandemic. What should be the rules when, suddenly out of nowhere, cultivators and the citizenry on the land are rendered unable to grow and harvest crops, out of which to pay the debts that they have run up during the year and are falling due. They owe the taxes, sharecropping or other rent that could not be paid.

Hammurabi was quite specific about how to handle this situation. Paragraph 48 of his Laws said that there would be a debt and a tax amnesty when the weather god, Adad, created a flood or otherwise prevented debts and other obligations from being paid. If the storm god floods the lands, the debts and rents don't have to be paid. A fresh start was made under conditions of balance for the next crop season.

The basic problem was similar to that today: How does a society restore continuity and save itself from disruption creating a permanent loss and distortion of existing wealth and income relationships? What Hammurabi and every other Babylonian, Sumerian ruler and other Near Eastern rulers did between about 2,500 BC and the 1st century BC was to proclaim amnesties in such circumstances. If they hadn't done that, cultivators would not have been able to pay their creditors and they would have fallen into bondage. They would have owed their labour and crops to their creditors.

This would have caused a serious fiscal problem for rulers. If victims of a crop failure or other economic interruption had to pay their creditors with their labour and crop surplus, this labor and crop tax wouldn't be available to pay the palace its normal claims for taxes and corvée labour duties to build infrastructure or even serve in the army. Social balance and continuity would have been destroyed – from within. So when Hammurabi and every ruler of his dynasty proclaimed a clean slate cancelling the debts and rent arrears that had mounted up unpaid, proclaiming a return to the normal situation prevented a creditor oligarchy from emerging and seeking its own interest as distinct from that of the palace.

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All this changed in Roman times. Classical antiquity protected the financial and rentier elites. Cicero and the other Roman leaders said that all the debts had to be paid, even (or indeed, precisely because!) this led to the enslavement of poorer Romans and Greeks. Rome's creditor oligarchy used every crisis as an opportunity to grab the land of the smallholders, to force the population into bondage and to get control of their land.

We're seeing the same basic dynamic occur throughout the post-Roman Western world. Creditors are now already planning to buy up distressed real estate from landlords that default as their rents are not paid. There is going to be a huge bankruptcy sale. Large private capital funds have already announced their intention to begin buying out the retail stores that have gone bankrupt, along with their real estate.

Individuals who are unable to pay their debts, workers who've been laid off, are told to borrow from their pension funds or social security accounts. That means that they won't be receiving the retirement income they need to live. Likewise, the states and the cities that Jeffrey Sachs mentioned also are facing a debt crisis with their bondholders. Mitch McConnell, the Republican Senate head, said that Democratic states like New York, New Jersey and California should cover their shortfall by taking the pension funds that they've set up for public employees. The financial sector's intention is to use this crisis to wipe out the pension funds and transfer the savings of the wage-earners to pay bondholders and other creditors. The promises that state and local governments made for pension in exchange for not asking for higher wages are to be wiped out.

The debts that have been built up are being used as a financial warfare tactic. It is more efficient than military warfare. Debt has been used to strip away the assets of middle-class people, of homeowners, of employee pension funds, to suck their savings and property up to the top of the economic pyramid. The pandemic crisis has created a battlefield. Its rules have been written by the financial sector and their lobbyists as an opportunity for the largest property and financial grab since the Great Depression.

The result will be that much of the American and European economies are going to end up looking like the Greek economy five years ago, when it was unable to pay its euro-debts. You can look at Greece as the future of the United States, catalysed by the coronavirus pandemic.

**<Grigoris Zarotiadis>** Michael, thank you very much for your first contribution. It's already a very lively, interesting discussion. I'm continuously being fed with different questions.

But we also have to give the floor to Professor Statty Stattev, last but by far not least. He is, as I said before, the former Rector of the University of National and World Economy, a member of the Board of Bulgaria National Bank and, also, one of the initiators of our Association. So, Professor, please, take the floor for your five introductory minutes.

**<Statty Stattev>** Thank you, Grigoris for giving me the floor. First of all, congratulations to the organizers of this significant event and to all of the participants. I dare say that the conference we are running is simultaneously on time and in time. On time is clear, in spite of keeping the rule of five-minute presentation, but I'll try to keep it.

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Why do I think that our event is 'in time'? Yes, it's a crisis. Social crisis, economic crisis, financial crisis, caused, let's say, by the Covid-19 pandemic situation. Production is falling, as Grigoris said in the opening speech, some even rate it even at two-digit figures percentages. Incomes are decreasing. We listened from the last words of Michael to what is happening in the financial chains, they are almost destroyed. Unemployment is increasing rapidly. But now it's quite early to calculate losses. What we can do is to observe and analyse the processes which are going on now, and to try to find out what will be and should be the changes that will trace the future after the crisis, because we do not know, even now, how and when it will finish.

So, we have to predict, as scientists, what will happen. In spite of the criticism, I like very much Jeffrey and what he said, especially about the new fascism rising up in the USA. However, things are different in different countries, from China to Switzerland, concerning government policies for coping with the pandemic, but here we are talking much more widely about how to foresee the future of socio-economic development and growth. What is visible up to now, in spite of the crisis indicators? We have the rapid increase of online sales and great problems with small shops, i.e. retail trade and, in general, the expansion of electronic trading and electronic banking. I saw some figures that electronic trading in different world-wide providers increased more than 25% to 30%, which is quite big and should be kept in mind.

Let me share with you an observation from our field, education. In our Ministry of Education, the Bulgarian Ministry of Education, we have a plan that will need ten years for gymnasiums and primary and secondary schools to go to on online education. For the Universities, the process is a little bit further, but maybe it will take, in normal terms, five, six, seven years. And now what happens? Overnight there was online education and it is working, it is working all over the country with all people, with all students. And, if I want to share my opinion with you, just for a discussion, my observation is that online work is more than twice as efficient as conventional work, than what we used to do. But this is another story, how to keep people working without meeting others.

Expanding these thoughts on the national, multi-national and all levels, we see that the gaps between people, between social groups, between regions are becoming bigger and bigger. Our social and economic development is like the model of the universe, of worlds and planets and systems, which are getting further and further and further away from each other. As a whole, social and economic stratification and differences are growing and growing. What does this mean? It means that the economic order we have had since World War II no longer exists. We have known this since the crisis of 1973-1974, but nothing has been done. All countries, especially superpowers, continue with a way that is not efficient, not even for them nor for all of us.

And I want to mention that all the worldwide institutions created -the United Nations with all its sub-organizations, the World Bank, International Monetary Fund, etc., etc.- they are not fulfilling their tasks. These institutions were created to collect money from the richest countries and to help the poorer countries. And this is not happening, or happening just partly, for other reasons, which means that we are on the eve of a new economic order. And it is clear.

That is why I do not share the opinion I have heard in some of the presentations up to now that perhaps we have to do something similar to what was done during the Great Depression. I dare say

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that the lessons from the Great Depression will not be sufficient and efficient in this case. I think that, in regard to the way of finding the new economic order -and it will happen anyhow, since we need a new economic order- we need a new financial system, we need new worldwide, supply-chain management. So, I think that all these ideas should be sent all over the world, to all the governments and to all businesses. It will not be the governments that make the economy, and help society rise, as it was during the Great Depression. I think that all the efforts from the personal level to the global level should be combined just to make our new world. Thank you.

**<Grigoris Zarotiadis>** Thank you, Professor Stattev, for your contribution.

Dear colleagues, we have 35 minutes. I think it is enough for a second round. I will give you the floor immediately, after I try to collect the dozens of different questions that are rushing in from many different parts of the world, Lebanon, Australia, I got some questions from Albania, from all over Eastern Europe, and so on. It's very nice to see that there is an already great impact from our discussion.

Allow me to say a few keywords and to give you the floor for your second contribution and concluding remarks. First of all, some of the questions were about public debts in Europe and the Eurozone, and how they may be affected by the new situation. The same for exchange rates around the world, and especially the US\$ / Euro exchange rates. Also, with respect to international relationships, if there will be an impact on the relationships between China and United States of America. Will there be effects especially on the emerging economies that will deepen spatial inequality even more? There were also a lot of questions about your opinions for the future of tourism and transportation, in particular, because in many of the countries of our area, of Eastern Europe and South-Eastern Europe, and the Black Sea Region, this is quite important. Another group of questions: if the possible excessively increasing money supply worldwide could lead, on the other hand, to a monetary hyperinflation in the near future.

So, allow me to give the floor following the same sequence. and I will start with Professor Iraj Hashi.

**<Iraj Hashi>** Thank you. Really, the question that arises is what are the general policy implications after this pandemic? In Western Europe and the United States, the governments have embarked on a massive increase in public expenditures, subsidizing or providing subsidized loans to businesses - which are extremely necessary- subsidizing wages in the UK, for example, and loans at almost zero interest or very low interest to small businesses handed out very quickly. All these governments will end up with massive public debts. And the question is, how is this going to be paid for? Now, there is obviously the traditional orthodox economics, or new liberal economies, that would say "well, somebody has to pay for these, and funds have to come from cutting down on public expenditure and not through increased taxation or long-term borrowing, but through cutting public expenditure, i.e., another round of austerity".

But it's really at this point that questions have to be raised, that we're in this, partly at least, because of the lack of preparedness of our health services, caused by the previous decade of austerity, and the government's unwillingness to heed the warnings of the World Bank and World Health Organization and even their own advisers, that preparedness for a pandemic is an important element of public policy, which was ignored because of the costs involved. Now, and this is the

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question that politicians have to come up with some answer: are they going to follow the same method of dealing with debt as they did before?

But there are one or two other issues that have to be dealt with. This glaring inequality that has come to light, namely, health inequality, which obviously only reflects the general state of development of capitalism or the version of capitalism in Western Europe and the United States. And the issue of a different impact, the impact of the pandemic on different ethnic groups, particularly West European societies, where there is a very large population proportion of non-indigenous origin.

And the third issue that comes up is the issue of patents and patent regulation. Obviously, there is a race to develop a vaccine and therapeutic drugs for tackling Covid-19. At the moment, there is massive public expenditure to develop this vaccine. But, obviously, pharmaceutical companies are sharpening their teeth to benefit from the opportunity of both developing a vaccine, which they would patent, and, also, drugs that they will produce and patent. But this is again a good opportunity to ask: "Do we want to have the same system of patenting and patenting regulation for drugs?"

We know that it is possible to have vaccines available, particularly for poorer countries, at very low cost. You would remember that polio vaccine was produced, and the inventor did not want to patent it and wanted to make it freely available to people around the world. And polio has now almost disappeared around the world. Similarly, we have the annual flu injection, flu vaccines, that change every year through publicly funded research, through the World Health Organization, and they are produced at very low cost, and provided for all countries almost free. So, there are models of vaccination, that are very low-cost and freely available.

And, again, the public opinion at this point has to put pressure on governments to change things. This is an opportunity to change things. Of course, it is also an opportunity for the tendencies that already exist in these countries, in different countries, to be enhanced/reinforced. And we will see how things pan out. But it is an opportunity to deal with some of these questions.

I would just briefly mention the effect on emerging economies. I would mention the effect on developing economy countries, whose economic situation has been completely disrupted: their exports have been disrupted, exports to advanced countries; their own economies have been seriously affected because of the lockdowns that they have rightly been imposed on their population. However, because of the absence of a social safety net in most of these countries, their populations are being more and more impoverished, and something has to be done about them. They are already suffering from a heavy burden of debt, and this calls for some form of international solidarity: either suspension or debt forgiveness altogether or, at least, suspending interest payments of prior debts, combined with additional support to ease the pain of the pandemic in these countries. And this is not, of course, only from the point of view of international solidarity; it would also be in the long-term interest of developed countries to do so. Thank you very much.

**<Grigoris Zarotiadis>** Thanks a lot Professor. Dear Tatiana, Professor Hubenova, it's your turn. Please, take the floor.

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**<Tatiana Hubenova>** Yes, thank you. I would like to discuss, to add some thoughts about facing the fight against the pandemic and the changing economic priorities, which are crucial, as I fully agree with Professor Hudson's thoughts about the issues of indebtedness.

The debts have been raised especially because there has been a long period of low interest rates, and this has encouraged borrowing and, albeit it through different channels and to different extents across Member States of the European Union and the Eurozone, this has weakened the banking pension funds in life insurance sectors. Although micro-credential policies have been activated in the Eurozone, as well as in other European Union Member States, various countries are going through extreme difficulties of rising public debts and issues of running budget deficits because of the public goods they have to deliver.

I think that the direct cost of discretionary measures, non-pharmaceutical measures, as they have been called, emergency health and lockdown measures plus economic relief, will, in most countries, be of an order of magnitude far above normal; in our countries this is nearly 2% of the GDP so far, in other countries it is reaching 10% of the GDP. This may seem a large number, but as we say, recognizing that the health of citizens is the most important private good is a truly vital issue at present.

Together with fiscal stabilizers, there is a great need for action plans, which have to be taken earlier on, in time, medium-term measures and packages of economic interventions, in order to keep households, to keep small and medium-sized businesses, which can keep the economy running to the new normality. Furthermore, keeping the rules of social distancing and providing for 'self-maintenance' and self-employment of the people.

Another crucial issue is agriculture. We have in Europe, in the European Union, these migrant workers involved in agricultural work. Under the present regime of quarantine, I think the countries should not allow such seasonal workers to move for seasonal work running the risk of increasing contagion. This is something which we observed so far, and this should be stopped. I think that what is important for all states is to overcome and to restrain the pandemic. Therefore, the shortage of labour should be treated differently.

I think that the question raised about tax and debt amnesty, which Professor Hudson has raised, this is not on the agenda now. Maybe we are in the very first stage of the pandemic crisis, but really insolvency problems for businesses are rising. They have been given only some 'vacation' for taxes due to be paid by businesses, for servicing loans within several months. This is a short-term, short-sighted, limited approach, and I hope it is on the agenda of governments to have a medium-term plan just to contain social expectations, because this uncertainty is creating quite different problems and expectations in society.

Another issue is that the non-performing loans will be on the rise, I think. This is a very important fact, which all supervisors have to treat differently and, to provide temporary relief, maybe for the remainder of the year -not only for two months- on the framework agreed to reduce the number of non-performing loans. A temporary waiver on the implementation of basic standards of loan categorization might also be useful for the banks. I think that the banks, the financial sector, in Bulgaria as well -as our financial sector is placing a lot of effort to achieve compliance with the

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requirements of the Eurozone- all these processes should be slowed down; just because all these, the activities, the business activities, this is an extra burden of adjustment to reregulation, reprocessing to which they should be given the right time to absorb and to really achieve compliance, to make our banking sector and financial sector compatible with the requirements. This is also understandable for the situation, which is not so good, but it has been worse in a number of Eurozone countries. Thank you.

**<Grigoris Zarotiadis>** Thank you, Tatiana, Professor Hubenova, thanks a lot. Michael, it's your turn and allow me, before you start, because there was an extra question addressed to you, but also to the rest, included perhaps in the previous questions: who are the big winners, in economic terms, after current developments? Dear Michael, you have the floor.

**<Michael Hudson>** I'll talk about the questions in reverse order, beginning with the idea that there may be an inflation to help pay off the debts.

Just the opposite: What we are facing now is an era of debt deflation. It's the worst debt deflation since the Great Depression. I've already described how there are going to be major defaults in real estate, especially for commercial real estate, for stores and all the other businesses that are going without income while their rents have accrued. If we are going to have a close-down for at least three more months, with no income for stores, entertainment, motion-picture houses and museums, paying three months' back rent is not viable. There's no way in which stores, or many wage-earners, can earn enough to pay the rent out of normal work and business. So, they're going to go out of business.

There is going to be a wave of bankruptcy, and that will be followed by fire sales of real estate. Unemployment is going to lead to lower wage levels, and there also will be cutbacks in public spending for social services, transportation and other normal programs. Privatisation sell-offs will occur, much like Margaret Thatcher's in England. This is now going to be imposed upon Europe. It's possible that the Eurozone will break up if it does not change its rules and create the euro-money to enable Italy and Spain to get by. But at present the Eurozone rules are that all the money, all of the credit that is needed to grow in Europe, should be borrowed from banks at interest.

Banks can create this money on their keyboards electronically. The government could do the same, but relinquishes this privilege to the privatized banking sector. As Modern Monetary Theory explains, a central bank can simply print the money that is needed to fuel economic growth. But the financial sector has captured the hearts and minds of central bankers, from Europe to the United States.

The problem is these banks don't lend money to create means of production or livelihood. They don't lend money to build factories. Banks lend money against assets already in existence, mainly real estate, houses, buildings, and also companies – and to corporate raiders to buy other companies on credit. So, the effect of this bank lending has been to inflate the price of real estate, because a house or a building is worth whatever a bank will lend against it.

The financial sector has become less and less productive, and more predatory. It has prevented European governments from having a central bank that directs deficit spending into the real

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economy. Only the banks and financial sector, the elite One Percent, are supported, as in the United States. Ten trillion dollars ' put into the economy, mainly into the stock and financial markets, the bond market and the real estate market, but not into production.

The Eurozone does not do that. This means that the governments of Europe are not really democratic. Europe is governed by the European Central Bank. It works for its customers, the commercial banks. And the commercial bankers say: "We want to starve the economy of credit, so that we, the commercial bankers, can create the money to lend to our customers, and charge interest and financial fees. Our own financial speculation that all the growth, the surplus that Europe produces, should be turned over to the financial sector." That's what the Europeans have voted for. In effect they vote for lower wages, cutbacks in public services and shorter pensions. These living standards are threatened by the way in which the financial dimension of the coronavirus crisis is being managed.

You're seeing a disparity between Italy and the Mediterranean countries and northern Europe. Countries need credit in order to recover. But the Eurozone refuses to provide the credit that is needed to get through the coronavirus suspension of economic activity and its aftermath of unpaid debts, rents and other obligations. The Eurozone is treating Italy, Greece, Portugal and Spain just like President Trump here in America is treating the Democratic states like New York, New Jersey and California. The effect is to create a deflationary crisis. That makes it impossible to pay the backlog of debts and rents.

We may see a power grab creating something much like feudalism. In the United States it's suggested that for student loans, or for loans to wage-earners collateralized by the debtor promising to pay 10%, 20%, 25% of everything they earn for the rest of their life. This is like a tax, but it's really a form of debt peonage. It's a payment much like medieval serfs had to turn over their economic surplus to their land lords. Well, now the wage-earners, small business and even big business in America and in Europe are going to have to turn over even more of their earnings to the financial sector in order to survive.

This may seem a crazy way to organize society, but it is how Western civilization has been structured on the basis of protecting creditor rights, not debtor solvency and overall social balance and continuity. Unlike non-Western societies, unlike even China today, credit in Europe and America is privatized. The supply of credit, like money, should be a public utility. Just like public health should be a public utility. Just like roads and communication should be a public utility. Europe has let it be privatized in an aggressive, predatory way.

As long as governments subordinate the will of democratic voters to whatever the central banks tell you, you are not a democracy. Jeffrey earlier mentioned what Aristotle thought. Aristotle explained a kind of eternal political triangle. He said that many constitutions appeared to be democratic, but they're, actually, oligarchic. That's because democracies tend to evolve into an oligarchy. The oligarchy makes itself hereditary into an aristocratic ruling class. Finally, thank heavens, some of the wealthy aristocrats fight among themselves and they try – like Cleisthenes did in Athens as early as 406 BC –to take the masses into their camp, and become democratic and order to mobilize support in the citizens against the other aristocrats. Then you have a democratic revolution, but

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democracy once again develops into oligarchy. That's the eternal political triangle that Aristotle described.

And that's what you have in Europe. It's not a democracy anymore; it's an oligarchy making itself into the same kind of hereditary aristocracy that occurred in classical antiquity. Many of you hoped that Europe had overthrown the aristocracy after World War I when you did indeed get rid of the kings and royalty. But you opened the way for a new kind of oligarchy turning itself into a hereditary aristocracy, that of finance. That's the task before you to solve. The only thing I can say is that, perhaps, this crisis has indeed catalysed this basic internal contradiction and will create a response that deals with the pandemic by cancelling debts and de-privatizing the banking sector.

**<Grigoris Zarotiadis>** Thank you, Michael. You are perfect, all of you, on time really. Thank you for that. We have the ten last minutes for Professor Stattev. Dear Statty, you have the floor.

**<Statty Stattev>** Thank you, Grigoris. I don't know where to start from, but let me continue, Michael, with some samples from our country.

The whole problem is that what the governments -what the European Union and even in the U.S. and other places- what the governments are doing, and the people, they are trying to keep the *status quo*. They are trying to minimize losses, meaning that in a month, two, three, everything will go on and there will be other options to choose. I dare say that maybe this might not happen. And we have to be ready, but this might not happen. You know about the European scheme, 60/40 business/government. The government is helping with 40% the businesses to survive. But the biggest part of Bulgarian businesses -you might say about the Greek ones, too; I don't know how it is in U.S.- they don't want to use this scheme, because they calculated that in a couple of months, they will be exhausted and nothing will happen.

Going to the normal credit loans to the people, for the unemployed people, our government issued some with *grace* period, which is long enough to ensure enough money just to meet the (basic) needs. Simply to pay utilities and to have some money to survive. But a lot of people do not want to take this money, because they are not sure that they will find a job later and it will be possible for them to pay back this credit, which means that maybe the bank will take their home or whatever they have.

We have to think in another way. I remember that Jeff compared the situation in the U.S. with the Civil War in America. I want to make another comparison. In this pandemic, we were in the same situation as were the countries during World War I. It happened at that time that the governments had no clear idea about their economies and about the potential of their economies. They had no idea about how to switch from civil to military production. Now it happens that amid this pandemic, we do not have an idea how to convert from a normal life to a pandemic life, quarantine or whatever else, which means that we are not prepared. And we are still not prepared to fight with this two-nano-millimetre enemy. We are prepared to fight nation against nation, you are ready to go whenever with your army if somebody wants to take a piece of stone from the sea, but what should be done -I mean Greece- but what should be with Covid-19?

And I think that this should be the biggest lesson: we have to prepare for the next one. We go to space, we have all the technologies, lasers, and so on, but it is not possible for the whole world to fight this stupid virus. It happened to be much clearer to us. What happened after World War I? We saw some push, and, if you recall, all the economists in your mind, that was the time of Kaldor and Mirrlees, who worked on the National Account System. That was the time of Wassily Leontief with input-output tables, and now we have a lot of information, and this information does not help in guiding is how to cope. We do not have masks, we do not have safety suits and all the equipment for our doctors, and they feel as if they are in the front line during the war.

Concerning inflation, yes, now, this is a time of deflation. But after deflation, maybe, maybe they will be a rapid, maybe super- or hyper-inflation. After all, FED starts to print money. Maybe the ECB will do the same and all the other countries, and what will happen with this paper money? So, I think that, ultimately, we have to go back to what I said: a new financial system. I think that we have to go back to the only one: the gold standard. So, we need a new Bretton-Woods. We need a new Bretton-Woods. Maybe not between gold and dollar, because there are a lot of other national currencies -the superpowers and some other countries- euro, dollar, maybe yen, maybe yuan, rouble or other- to make this currency basket and to connect it with the gold. I think that this is the only way. Otherwise, what they say will continue to happen. We will follow the model of the universe. And I think that Michael mentioned this. What will happen is that the rich will become richer and richer, while the poor will get poorer and poorer, and this is not good; and not only from an economic but from a social point of view, because it will lead to another bigger crisis. Thank you very much.

**<Grigoris Zarotiadis>** Thank you, Professor Stattev.

Dear colleagues, thank you for your concluding contributions and a very fruitful discussion. We still have questions coming up and, therefore, I would kindly ask you, and announce also to the people watching us through live streaming, that I will send you the questions; you may comment on any of them you would like to, and then these will be included in the e-version of proceedings that we will be produced and published right after the conference. Thank you very much.

We have finished the discussion on macroeconomic effects and now I would kindly ask all of us to shut down our video and mics and give the floor to Professor Leonid Nakov. Professor Leonid Nakov is the General Secretary of ASECU, of our Association, and he is a Professor at St. Cyril and Methodius University in Skopje, in the Republic of North Macedonia. Leonid, now you have the floor and the coordination.

## **2<sup>nd</sup> Session BUSINESS ASPECTS OF PANDEMIC CRISIS**

**<Leonid Nakov>** Thank you, Grigoris. Good afternoon to all of you and welcome to our second panel of our today's teleconference. Our second panel will be dealing with business aspects, that is business causes and consequences arising from the global pandemic Covid-19 crisis.

We have witnessed numerous approaches to solving the challenge of competitiveness, as well as sustainable behaviour of businesses, which is entirely in relation to measures and instruments that have been undertaken by various national economies, i.e., their own governments. In the beginning, it is my privilege to welcome today's panellists, expert speakers within our business segment

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analysis. In our second panel, we will have the pleasure to welcome Professor Joseph Chih-Yuan Hung, coming from the National Tsing Hua University. He is also the Director of the Department of International Business and Management at Dongguan University of Technology. The fundamental elements of his expert analysis in the field of the business sectors focus on future trends of industrial organisations, managing information in times of crisis, analysis of the comparative position of integration versus outsourcing in various business sectors, as well as other aspects, which will be of interest to us today. I welcome you, Professor Hung, today.

The second speaker in our panel will be Professor Tomasz Mroczkowski. He is a Professor at American University in Washington and, practically, fundamentally, deals with International Business and Management in emerging markets; this is the main topic of his. His fields of expertise at our business sector panel will be predominantly focusing on analysing the relationship between Least Privileged market information concepts, which are entirely challenging in times of crisis, especially because of the limited capability of predicting the consequences of the crisis. Then, the so-called New Thinking Paradigm, which is related to undertaking contemporary management models in order to emphasise the competitive position of businesses in the challenging external, as well as internal, environment for doing business. Then, business model changes, which are focused on analysis of the most prominent changes within business models of various industries. The analysis goes on to which the main sectors are, who would be winners and losers in the framework of contemporary businesses, as well as to identifying the prevailing effects on emerging markets.

Then we have in our panel our distinguished Professor Masayuki Susai, who is a Professor of International Finance at Nagasaki University in Japan; he will predominantly focus today's interactive analysis on identifying the most appropriate Japanese management techniques in times of crisis, and, particularly, at the time of the Covid-19 crisis. Then, identifying the most applicable approaches for increasing competitiveness in various business sectors within the Japanese economy, as well as for enhancing the new model for creating a so-called shared sector employment, which is a new tendency in solving the challenge of reduced working hours of the majority of employees in numerous industries in Japan.

We also have the privilege to welcome to our panel Mr. Arben Malaj, former Minister of Finance and Economy of Albania. Mr. Malaj focuses mainly on identifying the most innovative business techniques in the financial, and, especially, the banking sector. He then identifies the systems of good corporate governance in times of crisis, as well as the managerial changes required to create the so-called sustainable national policies toward certain business sectors, and the specific financial implications of such national policies.

At the same time, we have the pleasure of welcoming to today's panel Mr. Vasily Vysokov, who combines the capacities of theoretician and practitioner, because he is a Professor at Rostov State University of Economics and, at the same time, Chairman of the Board of Directors at the Centre Invest Bank from Rostov-on-Don. The fundamental aspects of his analysis will be dealing with identifying the roots and consequences of distance design economic modelling, as well as comparing transitional and transformative managerial systems in times of crisis, with an emphasis on financial implications of the managerial systems undertaken.

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I welcome you all to today's panel. Now, we can start our discussion and our analysis with our first Professor on the panel, Professor Joseph Hung. I welcome you, Professor Hung to address the audience. The floor is yours. Please.

**<Joseph Hung>** Thank you. Good morning and good afternoon, everyone. I'm just home, working in Quangdong, China. It is my pleasure to share with you some updated information about the business environment in China. China is the early outbreak area of the pandemic. So, economic data and experience showed a downturn in the first quarter of this year. It's, maybe, a proper benchmark market for the rest of the world. A negative 6.8% growth of real GDP in the first quarter and a negative 4.9% decrease of the total value of foreign trade for the first four months have foretold a recession in the next few quarters. Although the total volume of foreign trade increased in April, foreign demand for Chinese products has not optimised.

To better understand the impact of Covid-19 on business environments, in February, my University and the Bureau of Statistics of Dongguan have conducted a questionnaire survey on the economic and business environments during most of the quarantine time and the lockdown in China. Dongguan is one of the leading cities at the Pearl River Delta, very close to Guangzhou, Shenzhen. It has been a model city of manufacturing-based economic development since the reform and 'opening-up' of the 1980s. And here, at the end of the February of this year: the recovered capacity of firms in Dongguan is about 50%. This survey shows the prediction based on the confidence of firms' managers. The industries that suffered most are tourism, hotels and restaurants. Logistics has also been seriously affected.

Though, in the service sector, managers of banks and financial institutions in Dongguan predict the impact on their business growth to be at least negative 2.55%, the survey also shows firms lack confidence in the economy more than justified by the actual situation. For example, 66.4% of the firms in the survey predict their revenue will fall by more than 10% in the first quarter of the year 2020. And 53.5% of the firms say their revenue will fall by more than 10% for the whole year of 2020.

So, how does the government enhance people's confidence? Anyway, it seems a good sign that the National People's Congress usually held on 22 May has been postponed. Also, the government of Quangdong province has proposed a series of measures, such as tax reduction, bail-out plans for some core industries in Quangdong and has helped companies to find masks and testing equipment for Covid-19. For foreigners doing business in China, the post-pandemic period is a challenge but, also, an opportunity. We can see that organising the supply chain or supply network and promoting industrial upgrade, as well as improving/promoting the quality of our products, are the key issues of China. So, these are some situations I wanted to share with you about today's China. Thank you for listening. Thank you.

**<Leonid Nakov>** Thank you, Professor Hung. We are witnesses of a process in which emerging economies are attempting to decrease the difference in the level of economic growth, as compared to bigger economies facing global business challenges. I'm very grateful for your profound insights on the position of Chinese businesses, which will be one of the indicators, since China has ended the

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third phase of the Covid-19 health crisis, but it will be encountering the challenge of sustaining a competitive position of their businesses in practice. Thank you.

Now, I will welcome our distinguished Arben Malaj, former Minister of Finance and Economy of Albania, to present to us the actual challenges and future tendencies of the business sector in his country, with regard to future imperatives for reforming financial institutions. We are aware of the two fundamental routes that banks and other financial institutions have undertaken: they have postponed the period of repaying loans for enterprises and individuals, but, at the same time, the right to collect interest for the period of postponing credit and loans remains valid. Mr. Malaj, I would like to hear your views, about the current situation, as well as the future potential of monetary credit policy, not only in Albania, but, also, a few observations about the rest of the world. The floor is yours, Mr. Malaj, please. Just, please, put the microphone on. Your microphone.

**<Arben Malaj>** Ok, excuse me. Dear colleagues, first of all, I would like to thank the organisers of this conference, and it is my pleasure to be among colleagues, professors and colleagues from different countries. Engaging in this kind of debate is a positive contribution to the Covid challenges of our societies, particularly the challenges lying ahead.

Global crises impose global responsibilities, impose global commitments, impose global solidarity - we seem to be lucky. The Pandemic of Covid-19 is a global crisis, that has spread to all countries, affecting all aspects of our economy and social life. The forecast of the International Monetary Fund and the World Bank sees a GDP decline -particularly in the Eurozone- of -5% to -12%. This crisis is certainly going to increase the debts of individuals, of businesses, and, also, of the public sector. Governments can usually influence the economy through three channels: monetary policy, fiscal policy and structural reforms. However, when interest rates are low, many countries don't respect the golden rule of public finance: 'The time to repair the roof is when the sun is shining'.

Governments had not achieved the structural reforms necessary to reduce the deficit and debt and to create the fiscal space/margin for future challenges ahead. In terms of monetary and fiscal policy, we have had lots of debating among colleagues, but our concern, now, is that the impact of monetary policy, the impact of fiscal policy, has not been achieved in the real economy. And this is a crucial problem - there is a mismatch between packages from different governments and what happen in businesses that work in the real economy of our countries. Based on the history of financial crises, we know that we will need about five to ten years, depending on the degree of the Covid-19 impact, especially for countries to be able to challenge this crisis, based on structural reforms, on the productivity of their economies.

The best approach to support businesses is to reduce uncertainties and insecurities, and the way to reduce them is to provide real reforms in our economy, which can provide high growth, sustainable growth, and fair growth. Only in such as context can we help reduce unemployment, help to reduce poverty, and help create a social environment to ensure other reforms, step by step. We know that about two years ago, Larry Summers, the former Secretary of the Treasury, opened the debate on secular stagnation, which is a prolonged period in which satisfactory growth can only be achieved by unsustainable financial conditions.

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This is a good moment for our colleagues from Japan to clarify the situation, their experience of a very high public debt and sustainable development. A point that will be crucial for our countries is what will happen after this crisis. Based on the history of financial crises, all countries will need to take responsibilities for fiscal packages, for how to reduce debt and how to reduce deficit. The structure of these packages in the history of crises is that 1/3 will come from increasing budget revenue and 2/3 will come from reducing expenditure, which usually affects social packages in our society, and for this reason inequality is the real concern for our social environment.

Based on experiences during the transition in western Balkan countries, I think we work well with monetary policy and fiscal policy, but, as we know, including our colleagues who are neo-Keynesian experts, we used all possibilities on monetary policy, because interests are very low. This is number one. Second, after the crisis of 2008, many countries applied non-commercial monetary policy. The second element is about fiscal policy, and, as I mentioned before, countries which are in a weak position now are the countries in the Eurozone, which just have a higher public debt than others, but, overall, the productivity of their economies, including Greece and others, had been lower than the productivity of other countries in the Eurozone.

The real debate is about what kind of structural reforms we need; about the political will to implement them; about the real leaders as opposed to populist and nationalist leaders, who are in a favourable situation now and try to reinforce their presence in the political lives of our countries and, also, the EU institutions. As for structural reform, if we look at international indicators, many of them, for example, freedom index, corruption perception index, doing business, paying taxes, global competitive index and others, all Balkan countries are losing some ground and the situation is not better than before; however, the consolation is that the situation could have been worse.

And reforms: the first, about rule of law, about individual judicious systems, about impunity, about property rights, about effective public administration; these are real challenges for Western Balkan countries. And in this context, the elements of structural reforms will have more spill-over impact and positive impact on our economy. In this context, I hope that there will be a lot of discussion about how to reduce public debt and how to reduce budget deficit. Still, more opportunities will come to the economy of our country and to sustainability of public finance through structural reforms. I'm curious to hear some experiences from our Professors about this kind of debate. Thank you.

**<Leonid Nakov>** Thank you, Mr. Malaj, for presenting us with an in-depth analysis of tendencies in the monetary and fiscal policies of emerging countries, such as your country, Albania. I would now welcome Professor Mroczkowski, particularly in the context of the information internationally announced, i.e., that 1/3 of the entire world population will suffer certain decrease in their real employment, that is, if they keep their working positions, the working hours may be reduced temporarily.

At the same time, we are witnesses of the fact that the European Union announced a banking framework of between two and five years for reaching the degree of economic activity of businesses prior to the crisis in order to be competitive. The United States stipulate a period of a minimum of three years in order to overwhelm these challenges, which are constantly rising, and

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they are still in a position of manifesting the most important roots of these business challenges in the following period.

In this context, do you feel, Professor Mroczkowski, that the widely applied concept of shared victimhood between state and businesses, especially according to your international experience, not only in the United States of America, but also in Poland and several other countries, could be one of the sustainable solutions for bearing the consequences - not only the rights of the businesses at all national economies? The floor is yours. Please, Professor.

**<Tomasz Mroczkowski>** Hello, everyone! Can you hear me? Yes? Can you hear me? OK. First of all, I would like to thank the organizers for this idea. It's great to see, virtually, some old friends. Thank you for the invitation. It's great also to meet new friends in this way. It's great to compare notes on a kind of global basis. Before addressing the key problems first I want to say a few words about methodology.

You know, when I was trying to prepare this presentation, I was thinking about what kind of information I should seek, so that it would be adequate. And, of course, there are reports, multiple reports, official, public sector statistics or private sector ones. The problem is that we are facing what I would describe as the age of "super uncertainty". Super uncertainty. Because we are not only dealing with the coronavirus crisis -and nobody knows how this will unfold- and its impact on the economy -but don't forget that the previous trends of de-globalization are not going to go away. They are unfolding at the same time.

So, we have a very difficult situation to predict, ultra-difficult. So, what did I decide to do? And obviously my remarks will be focused a bit on the United States and a little bit on Poland and, maybe, on other emerging economies, because that's where I'm at, right now. So, I decided to do what I enjoy doing. I walked around, I observed, and I started talking to businesspeople - you know, mostly in the SME sector, and heard what they had to say. I also observed how they were trying to adjust. I obviously acquainted myself with the reports that exist -from the IMF, the Bank of England- but I noticed that they kept changing their views. Now, the latest Bank of England report says the UK economy may shrink by 30% in the first six months of the year. Three zero. That's much higher than estimated.

So, we have all these uncertainties, and we don't know how long the epidemic will last, we don't know if there will be a second wave. So, let's rely on insights of businesspeople and, maybe also, those of great investors, like Warren Buffett. Warren Buffett's speech was quite inspiring for me. What emerges is that we need to change our mental models. I think at times such as these, extrapolations may not work very well and what is needed is rethinking and avoiding mental traps. And a common mental trap in the United States is to think, "OK, this is going to go away, and we will be back to stability soon through a V shaped recovery". I had a number of conversation with colleagues who are in finance and stock markets and they all repeating, "Well, after all, the President says we will overcome this crisis quite soon and things will go back to normal". I think that may well be a mistake and I see in discussions with my business friends that they are quite sceptical actually they face the need to survive? So, therefore, they have to think very fast. Old business models may have to go and new business models emerge. What about that?

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For me, the coronavirus crisis is a little bit like the moment in poker -I don't know how many of you play poker- when one player stands up and says "I call. Now I'm checking. Show me your cards". So, this is a very, very major test, a test of business. The old business model was the model of profitability and efficiency. The future business model, the present and future one, I'm going to call "model of resilience". Only very resilient businesses will survive this crisis. This is what my business friends are telling me. This includes questions like "Are you diversified or not?" If you only own one restaurant, you are out of the game. "How strong are you financially?" "How long can you withstand the present situation?" "Are you flexible and imaginative and willing to experiment?"

For example, do you know what's happening with barbers, with beauticians, in Poland? They are officially closed. What have they done? They've gone into the grey economy. They are adjusting very well. In the meantime, what is Germany doing in terms of longer term adjustment? I heard some very interesting reports about German companies that produce power tools. I did a little case study: I observed their product. They are relocating manufacturing back to Germany, as we speak. But how are they doing it? Not mechanically but in an innovative way: they're using new technology, a new market approach and coming up with a new product, now produced in Germany, which is superior to what had been previously produced in China. I actually saw the product, It was amazing.

Is the United States going to be able to do that sort of thing? Relocation may be a huge opportunity. But let's not forget about those challenges of de-globalization. They are going to continue to confront us afterwards, even way after the coronavirus -maybe- goes away. So, shorter supply chains and new technologies, and new competitive products are one way for companies to respond to this major crisis.

Now, since I believe I should wrap up soon, I will come back to your question, which is about the solidarity approach. We are very well aware that this crisis will test the fabric, the social fabric of society, which, ultimately, drives the economy. So, unless we can come up with solutions that will be based on consensus and on equitable sharing of burdens, I don't think we are going to win this battle and I think that, for a country like the United States it may be a challenge.... This is the last statement I'm going to make: in the United States, during the last decade, as you very well know, the Gini coefficient, which measures inequality, has risen by almost a whole point. So, the American social fabric will be profoundly tested during this period.

At the same time, in Poland, where I'm now, they have been able to... it's one of very few countries that has managed to reduce inequalities, over the past decade, while maintaining growth, economic growth at around 5%, and I think this puts the country in quite a good shape for going forward, especially with its tremendous traditions of resilience, which are rooted in its history. Thank you.

**<Leonid Nakov>** Thank you, Professor Mroczkowski, for covering so broad a range of challenges, which could be challenging businesses, as well as social implications of measures affecting their employees. We are witnesses of the fact that Japanese businesses have always been an indication and a symbol of a high level of innovative activity, of a high level of cooperation and support among employees and, particularly, of constant changes, which have had to be made over a long period of time.

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Nowadays, we are facing the contemporary challenge of analysing their business models from the viewpoint of the competitive positions of various business sectors of the Japanese economy.

And I would like to invite our next speaker Mr. Vasily Vysokov. We have the pleasure of his presenting the integration of a methodological approach, as well as empirical approaches, to solving challenges in times of a crisis in the business sector. Professor Vysokov would address, in particular, the New Paradigm of a distance design economy, as well as of transforming businesses in these new times of competitiveness in this changing environment, particularly, the external environment. Professor Vysokov, I would like to invite you. The floor is yours. Please.

**<Vasily Vysokov>** Center-Invest Bank was established in 1992 by the first privatized entrepreneurs and professors from the Rostov State University of Economics. Thirty years the Bank has been working as a laboratory of reform, in the South of Russia. Our shareholders (EBRD, DEG, Erste Group Bank AG, Responsibility Investments AG) and our partners (IFC, Black Sea Trade and Development Bank, Austrian Bank of Development) describe the Bank's ESG business model very precisely, "Center-Invest was, is and will be the best". Our team started working in a super stable economy, a planned economy. And after that we have experience in the transition economy and are now successfully working in a transformational economy. It's non-stop challenges in non-stop crises. (slide 2)

The economic mechanism rules can be grouped into different subsystems. The Global Reporting Initiative recommends to identify Institutions, Markets, and rules that ensure reproduction of the Financial, Investment, Industrial, Intellectual, Human, Social, Informational, and Natural capital.(slide 3)

At the macro level, subsystem extensions are required: Institutions, Markets, and Pricing Mechanisms. A design project is created by a table of interrelationship table based on the principles of SWOT analysis. We use the table for interrelation between different subsystems of economic mechanisms and we used SWOT analyses or build new rules of economy. Next slide please. (slide 4)

Slide 2:

**ToR**

- Transition economy: from A to B
- Transformation economy: non-stop challenges in non-stop crises

An economic mechanism (EM) is a set of rules that governs economic relations



Data

Models

Rules



Slide 3:

**Interrelation of Subsystems of the economic mechanism**

Subsystems EM	1	2	3	4	5	6	7	8	9	10	11
1. Institutes	█										
2. Markets		█									
3. Prices			█								
4. Financial capital				█							
5. Investment capital					█						
6. Productive capital						█					
7. Intellectual capital							█				
8. Human capital								█			
9. Social capital									█		
10. Information capital										█	
11. Natural capital											█

S T  
W O



Slide 4:

## Distance Economy Design Concept

	Institutions	Markets	Human capital	Production capital	Financial capital	Investment capital	Social capital	Information capital	Intellectual capital	Prices	Natural capital
Institutions	SEI-economy	Registration in marketplaces	Everyone - partners	Process business chains	Taxation of SEI assets	SEI investment plan	Legally regulated online space	Degree of openness	Intellectual property rights (IPR) of SEIs	Negotiated	Environmental expenditure
Markets	SEIs are both buyers and sellers.	Marketplaces	Marketplaces for labour market	Specifications for orders	Funds	Stock marketplaces	Local networks of market participants	Bots in marketplaces	Markets for IPR of SEI	Quotations	Impact assessment
Human capital	SEI – equal business partner	Offer of services	Civil law instead of employment law	Lease and contractor agreements	Income tax replaced by tax on SEI assets	Crowdfunding	Participation in networks	Artificial intelligence	Participation in development of items of IPR of SEI		Environmental education
Production capital	Kanban	Offer of goods	Competency requirements	Robotized production and AI	Taxation of transactions	Capital investments	Sector-specific communities	Regulatory reporting	Creation of items of IPR of SEI	Contract	Environmental protection
Financial capital	Payment for services	Financial	Benefits	Payment for orders	Automated budget	Self-funding	Philanthropy	Financial reporting	Co-funding of start-ups	Regulatory	Recording environmental expenditure
Investment capital	Stakes in the capital of SEIs	Investment in local marketplaces	Standards for working conditions	Infrastructure	Public Private Partnerships	Co-funding	Investment in social communities	Investment in IT	Investment in innovation	Auction	Selection of environmental projects
Social capital	Ratings for SEIs	Ratings for marketplaces	Ratings	Selection of ecosystems	Co-funding	Stakeholders	SEI and ecosystem networks	Non-financial reporting	Amortization of IPR of SEI	Behavioural	Living environment
Information capital	Information filters	Market analysis	Distance learning	Information security	Information monitoring	Monitoring of investments	Information monitoring	Regulated access to information	Rights to information	Promotion	Disclosure of environmental information
Intellectual capital	Use of patents	Protection markets of IPR of SEI	Continual training of workers	Automation of patent work	Co-Financing the creation IPR of SEI	Taxing IPR of SEI	Creative communities	Databases of IPR of SEI	Compliance with IPR of SEI	Flexible prices	Alternative technologies
Prices	Valuation of SEIs	Market quotations	Social protection and guarantees	Requests for quotations	Tariffs and rates	Auctions	Social marketplaces	Open information about prices	Prices for items of IPR of SEI	Price diversity	Fines and incentives
Natural capital	Environmental standards	Emissions trading	Environmental requirements	Efficient technologies	Financing environmental protection	Investment in environmental protection	Social environment	Open information about the environment	IP rights in ecology	Prices of reproduction	Reproduction of the environment

Now, we build, not build, it's a design of economy, it's art. The design project of the Distance Economy is based on a self-employed individual, the interaction of self-employed individuals on the market places, the civil code replaces the labor code, robots and artificial intelligence work at large enterprises, the budget works not as a swimming pool, but as a closed cycle of cash flow, co-financing of investments is carried out through platforms, ecosystems of self-employed individuals are formed, the role of information and individual capital increases, different price models are used, attention to the environment increases. Since each of the proposed mechanisms has not only strengths and opportunities, the impact of weaknesses and threats is compensated by mechanisms in related subsystems. We have created a sustainable design project for the Distance Economy.

Please, next slide. (slide 5)

Slide 5:

**Transformational business to Distance Economy**

	2020	2021	2025
<b>1. Sector</b>			
<b>2. Status</b>			
<b>3. Revenue growth</b>			
<b>4. Remuneration of labour</b>			
<b>5. Costs</b>			
<b>6. Profit</b>			
<b>7. Sources of investment</b>			
<b>8. Production capital</b>			
<b>9. Intellectual capital</b>			
<b>10. Number of employees</b>			
<b>11. Social capital</b>			
<b>12. Information capital</b>			
<b>13. Markets</b>			
<b>14. Prices</b>			

Based on the design project of the Distance Economy, an interactive questionnaire "Business Transformation in the Distance Economy " was developed and conducted among businessmen of the region. Despite the May holidays in Russia, we have already received more than 400 responses that allow us to draw conclusions.

Please, next slide. (slide 6)

Slide 6:

# Transformational business to Distance Economy



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After Covid-19, the business of South of Russia want to develop, to recovery by recovered, you can read, yellow, it's more higher, it's, red, red it's first two years, yellow is growth rate of turnover, profit and others for a next year. The business of the Southern Russia will be develop by V-shaped recovery, with low profit, costs and salary, based on its own sources of financing, the use of new machines and equipment, its own and open data, education and skills of employees, a high level of social responsibility towards staff, customers and partners in the presence of transparent markets and competitive prices. I am very happy, because small business in South of Russia know what to do after crisis. It's not problem about crisis today. It's very important to dream about post crisis development. Small businesses of south of Russia can and will be happy. Don't cry for old economy. Please build new economy. Thank you.

**<Leonid Nakov>** Thank you, Professor Vysokov, for your inspiring address, including a lot of aspects of future tendencies in the growth of the national economy, as compared to businesses' capacity for change.

Now, we'll proceed to distinguished Professor Masayuki Susai to present to us the Japanese business experience, as well as the particular techniques used there to increase the level of competitiveness in times of crisis. Professor Susai, the floor is yours. Please, present to us your expert views on the Japanese contemporary management of challenges.

**<Masayuki Susai>** Thank you. First of all, I want to say 'thank you' to all the organizers and, also, that I'm very glad to attend this special conference. In Asian time it's earlier -now the time is midnight- so, tonight I want to share the Japanese experiences and focus on the impact on Covid-19 on Japanese companies. I hope we can get some hints for the future and when Japanese management faces a problem, such as a Covid-19, I want to show how Japanese leading companies react or behave; then I hope we can share this experience.

Covid-19 has had a significant, a negative impact, on Japanese society as a whole. Japanese companies have also suffered big damage. As we know, Japanese management has been facing many issues and limitations in Japanese management so far. Therefore, the attempt to introduce a management method from the Western style to Japanese management has been tried up to now. However, it is true that the core of Japanese management has still been inherent in Japanese companies, especially in large companies. But this solid core has disappeared during the last few months.

In the Japanese case, without any legal lockdown, people disappeared from the streets or the scene of commuter trains, that are usually full; they are empty. Many businesspersons have become accustomed to working from their homes. The usefulness of telework has been pointed out up to now, but it was not possible to expect it to be introduced so widely as today before the Covid-19 issue, which is believed to have had a decisive impact on an important part of long-lasting Japanese management.

Today, I will discuss Japanese management, especially the aspect of knowledge-sharing within the company and traditional Japanese management. As we know, Japanese management, such as lifetime employment, seniority, or bulk employment, is a system based on the Japanese history, the

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Japanese lifestyle or Japanese customs. Besides, Japanese big companies, as well as smaller companies, are trying to import Western management methods today: for example, performance-based wages or Management by Objectives. However, in fact, large Japanese companies with a long history, actually, carry on the tradition of Japanese management, such as lifetime employment and so on. This is because customs cannot be changed very easily. Large companies and organizations are so big, so it's not easy for them to change. But, as you know, smaller companies, such as venture companies in Japan, are using the management style of Western countries; so, these companies are not many, but some of them are enjoying a high-level speed/pace of growth. This only happens in smaller companies in Japan. The impact of Covid-19 is improved labour mobility even in big companies.

First of all, because of the Covid-19 problem, work style reform is promoted to avoid contact between people, social distancing. So, many bigger companies now do not ask but force their employees to stay at their homes. So, they are doing their remote work or telework. And telework enables management to evaluate individual productivity and, then, the bigger Japanese companies can use the performance-based system. This means a shift from teamwork -that is, the Japanese way- towards personal 'play', so this can increase the mobility of labour. This is one thing. But also, even if Toyota or Panasonic has to close their factories, then some of their employees need to leave those companies for a short time or for a longer time. In this case, even skilled labourers have to leave, which is a problem. And, also, another issue is the increase in the number of non-regular workers. Since the year 2000, after the change of the law, the number of non-regular workers has been increasing. As you know, in traditional Japanese management, lifetime employment is the standard method. This means that labour cost is a fixed cost. But now, it has become a variable cost. It's good for management, but not good for workers. That is another thing.

So, now let me elaborate on the knowledge-sharing mechanism in Japanese management. As I pointed out, lifetime employment means that workers just stay in the same company; it means, you know, that workers' motivation for work is quite high. And, also, when workers stay in a company for a longer time, this means tacit knowledge based on their experience can stay in the company longer. So, that's a good chance for the colleagues of skilled labourers to acquire tacit knowledge. So, that is one advantage of the Japanese management.

And, also, another thing is the Japanese way of acting; I mean that the Japanese like to get together, or, in other words, teamwork is good for Japanese. I want to show you the reason for that later on. So, even many big Japanese companies have quite a special system for knowledge management, which is fine. But, even if a company does not have such a system, if it uses the lifetime employment system, then, the tacit knowledge can be shared among colleagues.

And there is another thing why the Japanese are who they are -or this is evident for the behaviour of people in the Asia area- is explained by findings from life science research. People who have serotonin transporter gene types SS are more likely to act in groups. This is evidenced by life science. And, also, another thing: the number of people who have this gene is higher in Asia countries than among people who live in European countries or the United States. From this evidence, then, we can say that, in general, people who live in Asia areas and, also, in Japan adopt collectivism rather than individualism. So, this is why Japanese businesspersons like to go out to

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have a beer or sake after work. It is during such 'partying' that they can share tacit knowledge with each other. That's the one thing which gives a Japanese company an advantage.

But, as I pointed out, because of Covid-19, bigger companies are now using telework, which means people cannot get together and, also, that management can evaluate each individual. And it also means that different companies can evaluate anyone in a different company. So, it makes it easier for companies to find better persons to hire. So, that is one thing. So, that is the improvement of the mobility of workers. So, if mobility of workers is getting higher, then, maybe, the competitiveness based on knowledge-sharing in Japanese companies may be getting weaker. So, this may be the big impact of Covid-19.

As I pointed out, we know that the telework is quite effective, but many Japanese companies did not use this style. Now, however, we are beginning to test the way of working through teleworking and we have found it is fine, we can do it, we can use that system. Then, it is easier for us to move to the new style of working. Then, I found one challenge in these days. As I pointed out, mobility of the workers is getting higher, which means even a skilled labourer may leave a company for a different one. And, as many presenters have pointed out so far, the economy is getting worse, which means profit is getting lower; then, in that case, a company has to let go of some, or lay off, some skilled labourers.

But there is one challenge for the Japanese Automobile Manufacturers' Association. This Association is going to set up a fund to allow skilled labourers within the car industry to match the human resources in the company in the car industry to those of a different company in the car industry. And this can keep the tacit knowledge in our car industry in Japan. This is a challenge for Toyota, Nissan, Honda, Mazda: they were originally rivals, but, in this case, they're going to try to cooperate to protect the inside knowledge assets within the industry. This can be considered an attempt to express the characteristics of Japanese people, who value teamwork ("wa"), i.e., trying to keep tacit knowledge not within a company, but within an industry sector. So, this can be perceived as the same as the idea that flows as an undercurrent of Japanese management within the industry. So, from this single example, we can get to know that cooperation among some companies or within an industry may be one way to overcome this kind of crisis that is in progress worldwide. Thank you.

**<Leonid Nakov>** Thank you, Professor Susai, for all the insights of the current competitive position, as well as the attitude towards employees in Japanese businesses, with the empirical examples of Toyota, Nissan and several other corporations.

Now, I'm opening the floor for our interactive discussion. We will structure all questions, as well as fundamental implications, for the expert panellist discussion into three key categories. The first one will relate to the national response towards the needs for development of the business sector. The second one will be focusing on internal managerial steps, which are undertaken in this period, in order to retrain the competitive position within the business sector, and, afterwards, of that particular business sector compared to other business sectors in international economy. And the third segment of our analysis will be directed to the necessity for increasing innovative activities in the business sector, with an emphasis on the potential for emphasising the open innovation model.

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So, in the first segment of our analysis, I would now like to ask Professor Vysokov to start with a combination of one question and an implication from the discussion of our panellists, which is related to the actual position in which a majority of national economies are increasing their debt as a percentage of their GDP, at a moment when the competitive position of their businesses is not in a position to grow and to sustain, and the increased debt of their national economy. So, Professor Vysokov, what are your expectations for future trends in increasing, especially, the external debt of national economies, having in mind that it is connected to the potential of financing capital investments, which, in times of crisis, do not bear the entire potential for their development, and, especially, to transfer their influence towards the business sector, particularly the small and medium-sized enterprises. Professor Vysokov, the floor is yours.

**<Vasily Vysokov>** Thank you very much. Debt is not a problem for Russia. You know, the level of debt for GDP or for Russia, it's not very high. But my position is similar to that of bankers. Happiness is not in the money, not in the volume of money. Happiness is in witnessing the circulation of money. And for us it is very important to use different money/currencies. We have experience of using bills of exchange for 90 years, when we provided aid to regional government, to enterprises, to social departments, to recovering regional economy. Thanks to this, it's not a problem of debt; it's merely a problem of circulation of money. If we use distance economy, it's very simple now to organise this circulation. It's a technical problem for a new technology of banks, of the banking sectors and we are ready to develop towards this problem.

**<Leonid Nakov>** Thank you, Professor Vysokov. Now, in this first segment of our interactive discussion, I would like to address a question to Mr. Malaj, which is connected to the issues that arise from the questions we are receiving, as well as one contemporary challenge, that of identifying the position of each national economy in terms of their incomes in times of crisis.

So, I will make a combination of these two aspects to form one question for Mr. Malej. First of all, we are witnessing the necessity for the support of the business sector by banks, which means the tendency that they will have to transform one part of their activities into the modality of partnership towards businesses -not only as intermediaries but also as creditors; but, on the other hand, I would like to connect this question with the rising issue of the so-called approach, the most appropriate approach, whether one should have a universal income strategy in times of crisis or a differentiating income strategy in the national economy. What is your expert opinion? Which of them would present higher and more sustainable results, especially in the middle and long run? Please, Mr Malej.

**<Arben Malaj>** Yes, thank you very much for your question.

The first one, about the banking sector and the real economy. We know, after the global crisis of 2008, that all commercial banks in our region or in Europe have had many problems with non-performing loans, which created some strict rules for central banks that asked commercial banks to be careful, especially in sectors where non-performing loans had been very high. For example, in Albania, in the construction sector, this was about 50%. In this context, we had a very critical situation about how to spend our savings through the banks in the real economy. Also, after 2008 businesses have been more careful before applying for a loan, because nothing is for free. And in

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this context, we have savings in our commercial banks, we ask the banks to finance the businesses and some businesses don't prefer to take more risk and they were working to restructure their activities.

We have the same situation now. Our government applies two sovereignty funds from government to businesses through the banks, and this is a concept of sharing cost, i.e., what percent of the risk will be undertaken by the banks, and what percent of the risk will be covered by the government. We are discussing in this context, because banks are afraid; they don't want to take the risk, and to have some negative consequences in their activities. The last report of the World Bank, two days ago, mentioned that the activity of banks in a region are lower than before and they will have some real difficulties during this crisis, because it is not possible to have a healthy banking sector, if you don't have a good economy sector in your countries. This is for the first question. And for the second? What is the focus of the second question? Excuse me.

**<Leonid Nakov>** The second question is identifying, according to your expertise, the best income approach by a national economy, whether it should be a so-called universal income strategy or a differentiating income strategy, because this is a question that is rising in importance nowadays. Thank you.

**<Arben Malaj>** Yes, I'm not sure about my answer, but we are having many debates in our economy about different policies; different colleagues have focused on special sectors to create spill-overs for the national economy. As an economist of development, I prefer development based on the law. As incomes and how to share them, I think it is not an easy task. There are lots of debate about how to reduce inequality, how to reduce unemployment and poverty, because after this crisis we know that all shareholders will be poorer than before. Individuals can lose some revenue; businesses can lose profits.

And, also, there is the budget deficit: we have a high public debt and we are lucky, because we are functioning/operating in the monetary area where interest is very low, but it is not for free. And colleagues offer recommendations to national governments to be careful, to use this low level so as to restructure our public debt, not to increase it. Besides, the moment when interest rates go up, it will be a very difficult situation. I wasn't clear. To be sincere, I wasn't clear about your question, but my idea and my recommendation is to focus more on structure, on just how much money we can inject into the economy. Because it's not about how much money. It's about how effective this money is; can it affect the real economy and provide a social result, especially for social challenges, which are going to grow? And it is a very difficult moment for our societies. A few months, few years ago, Eurostat asked a question to different people in Europe: "Are you ready to support one leader, who doesn't make it for democracy?", and you know what percentage of the French people supported that? 78%. And this happened, this public perception was before what happened in France last year.

**<Leonid Nakov>** Thank you, Mr. Malaj. Now, we'll be gradually entering the second segment of our discussion.

I would like to address two fundamental issues to Professor Mroczkowski. The first issue will refer to the changes in the prevalent competition model of doing business. We are witnesses of the fact

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that more and more businesses are changing in the framework of creating so-called integrated ecosystems, that is systems that have to comprise three fundamental elements in their operative activities. The first one is prior business activity and entrepreneurial activity, as well as knowledge-based activity, which, as we are aware, concern the sector of SMEs transfer, acquiring and transferring knowledge, especially applicable knowledge, which is not something easy to be done on a short-term basis.

The second element for our discussion will be related to this first question. In practice, we are witnesses of the fact that various national economies are moving towards a so-called differentiated support of business sectors, which is dependent on the capacity to change at times of crisis and of securing workplaces, as indicated in the number of working hours on a monthly base, and on the ability to develop new skills and competencies among their employees.

So, do you feel that creating a so-called new business model of competition through these three ecosystems would help businesses to overcome their circumstances, i.e., not only to wait for the support from their governments, but also to increase their internal competitiveness. Professor Mroczkowski, the floor is yours.

**<Tomasz Mroczkowski>** Thank you. May I congratulate you on developing very challenging questions. Very challenging questions.

Well, as I said earlier, I think one of the characteristics of the crisis is that it is a time for testing and a time for verification and a time for creative destruction. So, let's face it: you're going to see elimination of weaker business models, of weaker companies going forward. And going forward, you're going to have only the most resilient and strongest; and only companies able to adapt are going to survive. Now, there are many dimensions to this survival.

And I want to talk a little bit here about the EU. Because, as you know, the EU situation is very complicated; still, what do we see? We see, maybe, a kind of divergence occurring that involves southern European countries, mainly Italy, Spain and, somewhat, France; they are losing more from being quite dependent on tourism and so on, as compared to northern Europeans and, especially, Germany. Note that Germany has provided the largest package, amounting to up to 30% of their GDP, to support this very broad range of activities, encompassing support to companies, support to employees, etc., etc. So, at the same time, Germany has a traditional automotive sector, which will face a lot of challenges. But, if I were going to bet, I would say that the integrated German economic system -which comprises, by the way, neighbouring countries in central Europe that are very closely connected to the German economy. They are sub-contractors to the German economy and they are in relatively good shape, namely, the Czech Republic, Poland, Slovakia and Hungary. I would say that they will all probably do relatively well going forward.

Now, you talked about integrated ecosystems. I think that these are very big questions, because, as you know, Europe is trying to push forward with the kind of a green economy concept, with controlling CO<sub>2</sub> emissions and so on; a big discussion there is the following: Are they going to continue with that? Are they going to be able to continue or is it going to be more difficult? Because, for this year, it's survival time. It's basic survival, it's about providing support. So, I agree with you that going further forward, this kind of company of the future -which combines the ability to be

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very innovative, entrepreneurial, to manage knowledge- that is absolutely the direction in which we are going, combined with what Vasily said about developing distance economy, as well.

So, I think we are really facing a lot of changes, after which there will be a new ecosystem. But before we can really do that, it's going to be a difficult period of simply surviving. Surviving, restructuring and so on, and, while we are doing this, obviously, we'll have to not lose sight of this ideal goal, of the integrated eco-company.

By the way, I have a question. Are we allowed to ask questions from other members later on? Or not?

**<Leonid Nakov>** Yes, you are allowed to ask questions to any of the panellists you prefer. You may ask now, Professor.

**<Tomasz Mroczkowski>** OK, I have a question for Vasily.

It's quite fascinating that he was able to get such interesting data, about distance economy. So, my question is: How were you able to collect these data so quickly, given the fact that the coronavirus crisis and distance work are relatively recent phenomena.

So, that's one question for Vasily and one for Masayuki. I think, Masayuki-san, you raised a very important question about how this, working from home in the Japanese context may accelerate trends shifting away from the classical Japanese system. However, I wanted to say that, what happened at my American university is very indicative. We have gone to online teaching, 100% online teaching. And the reaction of the students was "OK, online teaching is OK, but.. we want to lower tuition fees. We want you to lower tuition fees, because it is not as rich in interaction as face-to-face teaching". And I think, would you not agree that the same may be true about the traditional Japanese system which emphasizes teamwork, communications and exchange of knowledge and ideas in small groups? So, maybe, there will be a price to pay in terms of creativity. Thank you.

**<Leonid Nakov>** Ok, first, Professor Vysokov; the floor is yours to answer the question.

**<VasilyVysokov>** Thank you very much.

About data. Despite the May holiday in Russia, we have already received more than 4,000 responses. But, you're right. It's a very difficult way between the current situation and the future innovative economy. It's very important not stop discussing this with clients, not stop discussing this with students. It's very important for distance education, for distance management to risk. We must develop discussion. We must communicate and develop our relationship.

And just only a small remark about non-performing loans. Yes, of course non-performing loans in speculative banking is normal because speculative banks buy and sell risk. Yet banks manage risk. And thanks to these, in a crisis situation, banks discuss with clients, manage help to decrease this risk and, thanks to this, if we decrease risk, we don't need to increase our interest rate and, thanks to our discussion and our connection, our clients win in this situation, finalise their project and come, pay back money on time and full money, and there are no non-performance loans in the balance sheet of the bank. Ok, distance economy must accelerate connection, must accelerate discussion between young people. It's a new culture of our relationship.

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<**Tomasz Mroczkowski**> Thank you. And I would just add that I also imagine that this way of operating this distance economy has to be continually improved and evolved, so as not to lose good aspects, you know.

<**VasilyVysikov**>We are ready to cooperate with you. It's a very nice economy.

<**Tomasz Mroczkowski**> That is what we are trying to do with online teaching. We are not doing well enough; let's make this a richer experience.

<**VasilyVysikov**> For example, we started to elaborate our distance economy project, but with the Covid-19 situation, all students had to stay at home, and we developed our hackathon with students, but a remote hackathon. And within two days we received, from students, ten best projects for future distance economy in tourism business, agribusiness and logistics.

<**Tomasz Mroczkowski**> Great. Thank you.

<**Leonid Nakov**> Thank you, Professor Vysokov. Professor Susai, you have the floor for the question from Professor Mroczkowski.

<**Masayuki Susai**> Yes, thank you for giving me a good question.

I can stay at home to teach. The same as in your country. At almost all Japanese universities, a Professor should stay at home to teach. And the problem is, we do not have this kind of experience, not only for the students, but also for the professors and it's same for companies. But, at the same time, as you know, in Japan, especially in Tokyo, the average travelling time for a businessperson, from their home to their offices, is one hour and half. That means they have to spend three hours a day just, you know, riding on a train or something. That's a big cost for society. But, if we can use this kind of new system to work together and if that system is effective in terms of productivity, then, as you just mentioned, that is good for reducing costs, right? It can reduce the social cost. So, now Japanese people are trying to test this, quite a big trial, even in Japan we can do it, because, as you mentioned, we like to get together. So, one example is now younger, not younger but many people now started to drink together on Zoom. Just in front of their computers, they try to drink together. Yes, that's the Japanese way. Thank you for your question.

<**Tomasz Mroczkowski**> Great idea. Virtual party.

<**Masayuki Susai**> We can share.

<**Tomasz Mroczkowski**> Maybe we should share at the end of this conference; we should share ideas.

<**Leonid Nakov**> Thank you. Thank you, Professor Susai.

While we are speaking of the new challenges in the educational process, I would like to address another combination of questions to Professor Susai, which are related to the famous innovative approach of Japanese businesses; what I mean is that we are facing several contemporary tendencies, one of which you have mentioned in your presentation, the so-called shared employability within business sectors, such as the automobile industry. And, at the same time, we are aware of the increasing tendencies in emerging economies, which are smaller than that of

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Japan, but are attempting to enhance the level of their competitiveness through the system of cooperation and joined investing in innovative activities undertaken by national innovation centres and research institutions; this should increase the competitive position of businesses of particular business sectors, which are perceived to be centres for their future and overall national competitiveness. What is your expert observation of the possibility of extending these proven Japanese managerial techniques to emerging economies, with the necessity of accompanying them to their combination of external and internal environments? The floor is yours, Professor.

**<Masayuki Susai>** Thank you. Yes, as you know, Japan used to be very small. Just after WWII, the circumstances inside Japan were so good. That's why Japan can be bigger. So, and also our resources, the number of our resources, I mean the number of people in our country -our country is quite small- so the resources are quite limited. So, that's why we had to think about how to do something new. And, also, competition is sometimes so good, but sometimes not so good. Because of competition, they have to lose their resources, they have to spend more money to compete and after the fall of the competition, the company should, you know, leave that industry. So, after the presentation of these panellists -and some of them emphasised that diversity is quite important- for a smaller company diversity is not good because it does not have enough resources to cover the many sectors of many parts. So, in that case, cooperation might be better. So, for example, in Japan, now, during this month, some companies in a different industry, started to do something together. There is some common ground in different industries and so they just save some costs. This might be one idea for those little countries. Thank you.

**<Leonid Nakov>** Thank you, Professor Susai.

Now I would like to address questions to Professor Hung.

Having in mind that the Chinese economy is extremely wide and so differentiated, on the one hand, and on the other hand, if we analyse the consequences of the first wave of implications for the business sector, the most affected parts of which are construction, transportation, crafts, tourist catering sector and several service sectors, do you think that the key challenge in overcoming problems arising from decreased demand in the national economies are connected to changing the model of organising businesses, especially SMEs? I ask this because a lot of contemporary analyses are stipulating that, in their internal system of organisation, businesses should make changes in the following four categories: The first one is related to their competencies, the second one to their identity, the third one to their efficiency models, i.e., to pay more attention to maintain performance connected quality, they are not of a quantitative character- and, the fourth one is connected to the power of their networks, especially with external institutions.

Can you, please, share with us the experience of a Chinese business sector in overcoming these challenges? The floor is yours, Professor Hung.

**<Joseph Hung>** Thanks. Thank you, Mr. Nakov.

And for your questions, I think the most important advantage of the Chinese economy before the pandemic, is the, as we say, the most valuable asset in China is its people. Right? We have an abundance of high-quality human capital and we have very large cities, like Shanghai and Shenzhen.

So, the most important advantage of Chinese business is the economies of scale. In other words, we can make products in larger volumes. But now, in the post-pandemic period, there is probably a change of having to produce things at a smaller scale, because the risk of the pandemic is higher. So, the cost to get people in production is higher. The economy of scale, the saving of costs may not be so good for business. Right?

So, I think the transition of the business will be more awkward ok? So, for example, the luxury car Volvo in Europe was merged with Geely in 2010 and Geely wants Volvo not to sell cars from Europe to China but to build a plant inside China. And then, they will know how to build luxury cars of Volvo for their new brand, for new cars. So, that may be a new business model for the post-pandemic period, post-Covid-19. And since e-commerce in China has been very big for a long time, we know that Taobao has very, very high volume of goods and sales every year. And I think it is time for Chinese business to upgrade their products to serve the high-quality demand domestically. Pre-pandemic, Chinese firms exported products to Europe and North America, but imported luxury goods from Europe and North America and Japan. Now, Chinese firms should upgrade their production and provide higher-quality goods to meet domestic demands to overcome these crises, I think. Thank you.

**<Leonid Nakov>** Thank you, Professor Hung.

Finally, we are slightly over our planned time. I would like to thank the entire audience for addressing challenging questions and, at the same time, to thank our expert panellists for sharing their in-depth analysis about future tendencies of development of the business sector.

At the same time, I would like to give the floor to distinguished Professor Ioannis Theodossiou, who is the moderator of our following third panel, titled societal aspects of the pandemic crisis. Once again, thank you all for participating to our ASECU teleconference. Thank you and see you soon on our other ASECU events.

### **3<sup>rd</sup> Session SOCIETAL ASPECTS OF PANDEMIC CRISIS**

**<Ioannis Theodossiou>** Thank you. Thank you very much, Leonid. Ok.

So, I welcome you to our session and I am very happy to be here. I also would like to thank the organisers for inviting me and all of us. Now, our session will be on the societal aspects of the pandemic and I can introduce our panellists; I will introduce the members of the panel alphabetically. I apologize if I mispronounce your names, but this happens.

So, first, Dr. Arjan Gjonça, who is Associate Professor of Demography at London School of Economics and Political Science, and he has also held numerous honorary positions, such as Honorary Secretary of the BSPS; he was a member of Board from 1997 to 2004. He was the Vice President of DemoBalk Association and, more recently, the Chair of the Accreditation Board for Higher Education in Albania.

Dr Matjaž Koman, who is also an Associate Professor, at the University of Ljubljana at the School of Economics and Business. His research focuses on Economics of Transition and on Labour

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Economics with special emphasis on firm behaviour and firms productivity. He has also published numerous articles, in journals like The Journal of Comparative Economics.

Professor Dr. Józef Oleński, at the Centre of Cross Border Research of the University of Lazarski in Poland, former Chairman of the UN Statistical Commission and Vice-Centre of Regional and Cross-Border Research of the same University. He has also held positions as an Advisor to the National Bank of Poland, a Chairperson of the UN Statistical Economic Science of the University of Warsaw.

Dr. Sabri T. Öncü, is an economist in Istanbul, Turkey and has served as the Head of Research at the Advanced Financial Research and Learning Reserve Bank of India and as a Senior Economic Affairs Officer at the United Nations Conference on Trade and Development.

And, finally, Dr. Jelena Žarković Rakić, Professor at the Faculty of Economics of the University of Belgrade, Serbia, and Director of the Foundation for the Advancement of Economics. Her main research interests are: labour, markets, poverty, economic inequality and the effects of tax and benefit policies.

So, I shall start, as has been done in the first session, with a short introduction, and then we shall continue alphabetically; we shall try to keep the five minutes' time limit and then we shall have a second round of talks roughly like the first session. So, in my view, as we look at the effects of the pandemic, we are faced with two issues. The first one is to somewhat assess the situation that different nations have confronted during the pandemic and the strain it has put on their health services, and the second one is to try to somehow assess the effects of this pandemic, especially with respect to the coming recession, if not depression.

I shall approach the issue by looking at history; As George Santayana, has said those who do not learn from history are doomed to repeat it. Let's have a look at the graph. It shows the fluctuations of economic activity as measured by the fluctuations of unemployment rates. The data start from late 1800's, early 1900s, and they cover four countries, two Anglo-Saxon countries, the US and the UK, Denmark, a social-democratic country, and Australia, a country with a lot of natural resources. This sort of fluctuations is witnessed by most developed countries during the relevant period. What we observe first is that capitalism is a very unstable system throughout the period; Second, the fluctuations in unemployment (that mirrors the economic activity) are extremely volatile before 1945, with unemployment peaking during the Great Depression, and then, we see that for all three economies the fluctuations of unemployment become very minor, between 1945 and early 1970s.

And then after late 1970's, we have, again, unemployment peaking up and its fluctuations becomes extremely 'violent'/wild, following a similar pattern with the pre 1940 era. And the question is why this is the case. The answer, really, is that before -this goes for all countries- before 1945, we had laissez-faire economics as the mainstream economic thinking, with people intellectually guiding this discourse, people like Arthur Pigou and John Stuart Mill before him. And then, after 1972, especially as we approach the 80s, we have again an increase in wide fluctuations of economic activity because a variant of the laissez-faire economics, a stronger variant of laissez-faire, what we call today neo-liberalism, took over the intellectual discourse and had a lot of influence on political matters and policies and political decision-making. The issue here is that this neo-liberalism, like

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the laissez-faire economics before, was engaged in dismantling everything that was fundamental for the economic policy between 1945 and 1972.

I can summarise these neoliberal policies by saying that the main drive of neo-liberalism was financial deregulation, curtailment of all capital expenditure by the State, no matter how productive and desirable was in itself, huge privatization of the entire public domain, reduction of taxation for the rich and corporations; legislation that decimated trade unions and any popular organisations, and there was a huge decline of the labour share in the national product. All the above policies were the exact opposite of the policies that were set up between 1945 and 1972 that produced a sustained high economic activity with low unemployment.

This graph teaches us a big lesson: that, as the outcomes indicate, capitalism is a very unstable system and that the current Covid-19 effect on the economy is not really the cause of the imminent downturn - it's just the trigger. Because, before Covid-19, there was the 2008 Great Recession, due to over borrowing, and, before that, there had been the dot-com recession. Covid-19, really, found the economies unprepared, to start with, because of the preceding neoliberal policies and the huge privatisation drive (including health care services). If these same policies that have been followed up to now continue after the end of the pandemic, the economic situation will worsen, and we shall end up having a real deep depression.

So, the main issue is that neo-liberalism has really imposed, on the policy sphere, the idea that , instead of using our vast wealth and technological advancement to build a wondrous society-, the neo-liberalism wisdom advises to build a society of poverty, inequality, homelessness and underpayment for labour, irregular/ gig work for millions of citizens because this is "affordable"; and it is "affordable" on the test "*of the markets*", whereas a wondrous society is an act of "irrational extravagance because it mortgages the future".

To my mind, how reducing the social evils of "want, disease, ignorance, squalor, and idleness", today, can bankrupt the future, no one can see really, except if one's mind is plagued by neo-liberal analogies of an irrelevant accountancy.

I think I have probably just exhausted my five minutes, so I shall stop and give the floor to Arjan, and then we shall continue. OK, Arjan, the floor is yours.

**<Arjan Gjonça>** Thank you. Thank you very much. Thanks for the invitation of being in this panel and this online conference.

There will be a lot of time to analyse the causes of this pandemic, to analyse the consequences, as well. We have only just started on the consequences. That's where we are in terms of understanding the pandemic. Regarding societal consequences for our societies you mentioned two things: the effect on our public health, and the effect in terms of our behaviour, in terms of social aspects of our life in the future.

I'll try to address some of these issues, which I think are important, also for my research. I'm a demographer and a public health person, but I wouldn't go into the demographic consequences of this pandemic, thus I wouldn't go to answer the question "why are there more males than females";

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“why the elderly are more than children” or “why there are more people in urban areas than in rural areas”; There is on-going research on these issues and time is needed.

However, I would like to address four questions that are important I believe. I would like to address the question of *the scientific evidence in terms of policymaking*; the question about *whether our public health systems are prepared for such a pandemic* and, if not, what the future holds for them. And then, if I can, I would like to address two more issues that have to do with aspects of our societies; the first one is *whether the social cohesion will change with social isolation/distancing*, as well as, *whether freedom, which is restricted due to closure and isolation, will affect our choice*. Our societies are based on freedom and we make our own choices.

Let me start, because we don't have a lot of time, with **the first one**. When we, and different governments design policies, most of them base their policies on scientific advice, on scientific knowledge. That is at least how it should be. What is the scientific advice that was used during the pandemic? -Mathematical, epidemiological modelling. And most of this modelling was based on data coming either from the epidemic itself, which was at its early stages(based on Chinese data), or from prior epidemics, such as the Ebola, SARS or MERS viruses; or the epidemic of the country itself. So, all these data were quite questionable, if not inaccurate. If available, very few data were there for modelling. So, if we talk about the data coming from China, the Chinese changed the data themselves very recently. If we talk about the data of early stages in the pandemic, those data, in terms of the incidence of epidemic, were not quite right and not quite accurate, because, in order to get accurate data, we need this random sampling tests, which should give us the incidence rates in the population, because most of this modelling is based on incidence. Then, we had data from the previous epidemics. One can't compare one epidemic to another, but these were used, as well. So, most of the assumptions of this mathematical modelling, of all these curves, in our effort to predict our response, were based on, at best, shaky grounds. And even the reporting on data on death, which we deal with as demographers, started to change in this country, where I am, in the UK; the reporting of death changed four times. First we had deaths from hospitals; second we included deaths from care homes, then it changed to death in the community, supposedly including community but, actually, only those who were tested, and now we are talking about deaths that are registered. So, the scientific basis for this modelling, on which advice was based, was very uncertain. In this respect, what was the reaction? Most governments fall back on social isolation/distancing, or lock-down, a modern term used for the word 'quarantine', something which was invented going back centuries ago, in the 14<sup>th</sup> century. And something which was not based on scientific advancement, but on what we call power of observation. So, what I would like to say, with this point, is that we based most of our decision-making on evidence which was not very accurate, or it's not accurate even as we speak.

And, then, we forgot that some of the experiences from the past were more accurate. We need to take that into account when we move forward in terms of decision-making, and we will be analysing most of the decisions of our governments, but I hope that the government, although the last major pandemic in 1918 killed almost as many as WWII, in between 30 to 50 million people, we still, today, deal with pandemics of this magnitude and we haven't progressed much scientifically. So, I hope that funding for science will increase, hopefully, in the future.

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**The second point**, in terms of decision-making, particularly on public health, was the fact that, as we all addressed it here, how prepared were we for this pandemic, or whether we can ever be prepared for such pandemics. In public health, we talk about something called 'surge capacity', i.e., how capable our health systems are to cope with large scale emergencies. And, within this term, we talk about human capacity, number of doctors and nurses; we talk about hospital capacity and, in this case, the most important aspect is the number of intensive care beds, as you probably know by now; but we also talk about the capacity for a health system to intervene. And, with regards to this pandemic, we talk about the number of tests that we are capable of carrying out. And if you look at all these three big elements and the time of intervention, different governments intervened in different ways, thus having different public health responses to the pandemic. We have had governments that intervened very early on, with a lock-down, because they didn't have any capacities. We have had governments that didn't intervene with an extreme lock-down because they had capacities, and the German government is one of them. And we have governments that 'left it in the middle', where most deaths are occurring, like the UK government.

So, it is not by chance that the three countries most affected in Europe, namely, Italy, Spain and the UK, -let me see if I can share my screen with you to show you a graph- were the three countries with the lowest number of intensive care beds in Europe. But if we look at the other aspect of system readiness/preparedness, it is not by chance that Germany had the highest number of tests at the early stages of the pandemic. So, in this respect, the systems, which we address as more supply-based -and, I mean, here are also included some of the east European countries, which were more prepared, with health systems which were much more supply-orientation rather than need-based, demand-based oriented, in terms of budget and in terms of preparation. So, the point to make here about health system readiness is what the future for our health systems will be? *Are we going to have health systems in which we continue to prepare on a needs basis, or are we going to have health systems that we will, probably, see acting more on a supply-basis and have much more capacity for emergency cases like the current one.*

**The third point** I want to address is that we talk a lot about social cohesion, in social sciences, and some of our societies do have better social cohesion, we have better investment in health, better community engagement; we have better social networking, better social support, and it's known in the area of health that these societies do better in terms of health and mortality, but also in terms of crisis, due to copying mechanisms. And I can mention a few; I mean, in the case of the countries involved in your Association, we talk about Greece, Albania, we also talk about some north European countries, such as Sweden and Denmark. The problem is that social isolation/distancing looks like it's going to continue for a while, and if not in a complete lock-down, as we have, in a reduced version. The issue here is whether that will be affecting our way of life in terms of social networking and social support and, also, at the macro level, investments in terms health, education and other issues of social welfare. Now this is a question which we don't have a full answer for, because we haven't had any experience like that; but it's certain that, *if social cohesion is affected by social isolation/distancing, we are bound to see many more mental health issues in the coming months and years or, rather, more health problems; so, in a way, the capacity of our health system will be affected, but in a different way, not just from the Covid-19 pandemic itself.*

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Now, **the last one**; I'll pose it as a question, because I think I have exceeded my time limit: most of the measures taken under social isolation have restricted our freedom to choose; will our right to choose in the coming years be restricted as a result of the pandemic? We're restricted when it comes to moving, we're restricted about going to meetings, we're restricted concerning travel, we're restricted concerning delivering lectures face-to-face to our students and so on. Will freedom to choose affect our societies in a wider context? And that is something that we need to watch in the future because, unfortunately, we have had the experience of WWII, when after a crisis and, in particular, an economic crisis like this, we have right-wing governments coming into power and, also, driving right-wing agendas; and when right-wing governments come into power, one of the things that is affected is the freedom to choose. And that is of paramount importance. So I'll finish with this. Thank you.

**<Ioannis Theodossiou>** OK; I think we can continue with Professor Matjaž Koman. The floor is yours.

**<Matjaž Koman>** Thank you for inviting me to this conference.

In my presentation I want to address three social issues of covid -19. First one is inequality, followed by criminality and I will also talk about potential change in people's behaviour after the covid-19 crisis resides.

Regarding inequality issues I want to stress that poor neighbourhoods and individuals are particularly affected by the COVID-19 crisis. They are more exposed to health risks because they work in critical sectors. They are less likely to be able to work remotely, putting their incomes and jobs at higher risk. According to past data from US survey (see Table 1), less than 10% of workers in bottom 25% of income have potential to work from home, compared to than 60% of workers in top 25% of income.

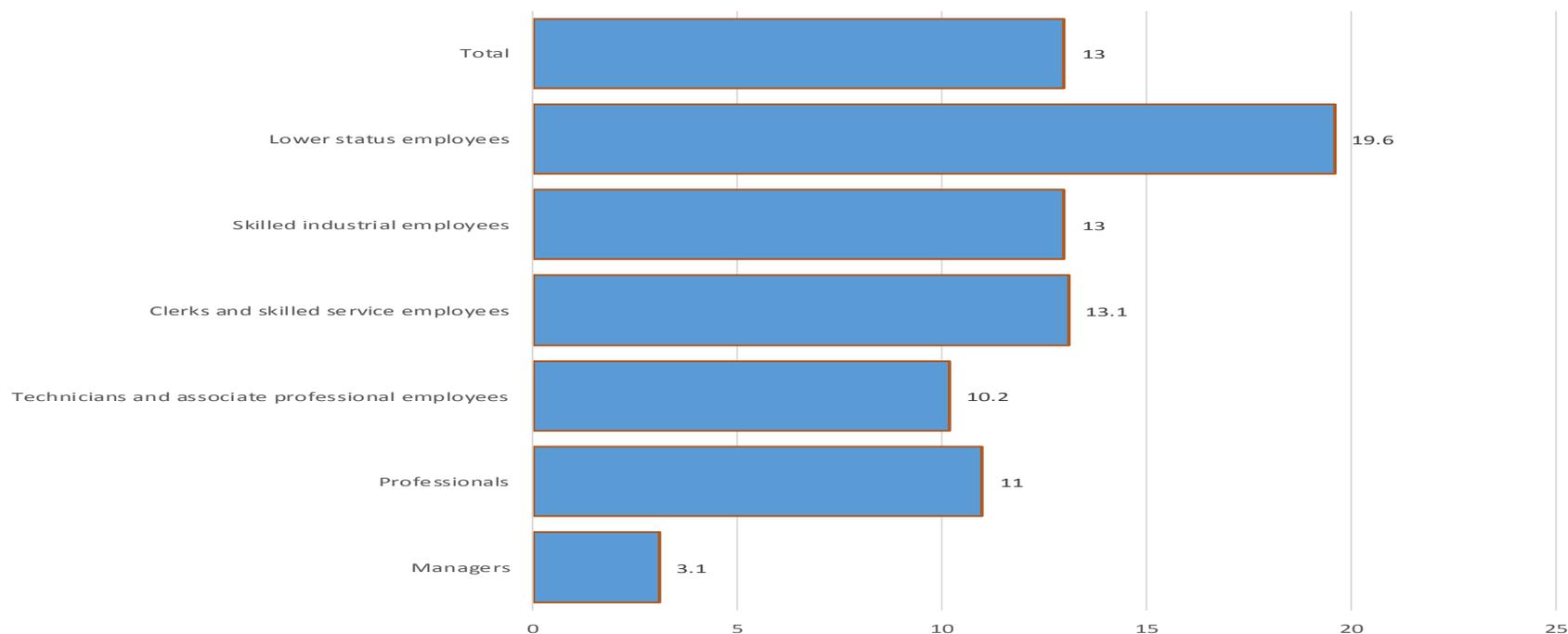
**Table 1:** Percent of workers able to work from home by income percentile.

Income percentile	Home-workers or potential home-workers (%)
Bottom 25	9.2
25-50	20.1
50-75	37.1
Top 25	61.5

Source: US Labour Statistics.

Also bigger share of workers with lower income have limited duration contracts. More precisely, almost 20% of lower status employees have limited duration contracts, while for professionals this share is only 11%. (see Figure 2)

**Table 2:** Employees with limited duration contracts by European socio-economic group (as % of employees aged 20 to 64)



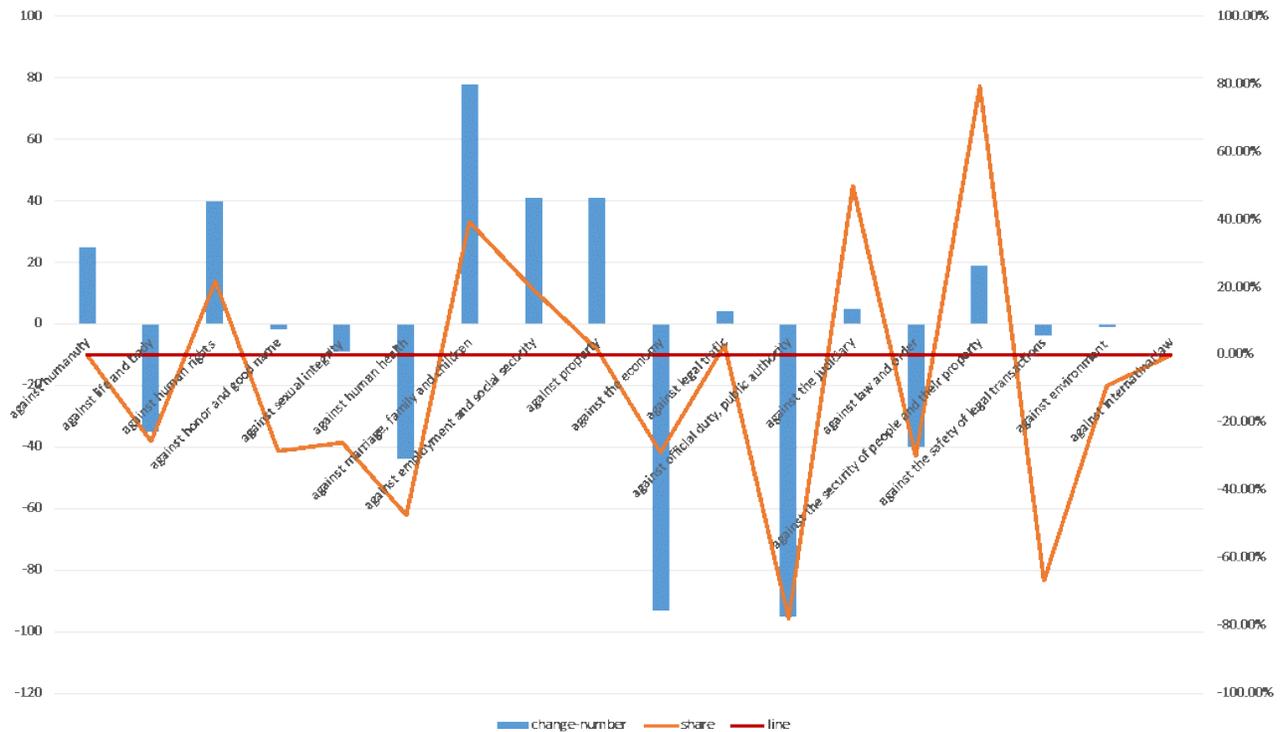
Source: Eurostat LFS (values in %), 2018.

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They have also smaller apartments. More precisely, in the euro area, individuals living in the top-income households have on average almost double the space as those living the bottom decile –72 square metres against only 38 (Darvas and Midoes, 2020). Lower income workers also live in more densely populated neighbourhoods. All this exposes them to greater health risks. Finally, lower income people have smaller savings (if at all), giving them smaller buffers to sustain the crisis, especially if this crisis will persist. Hence, these factors suggest that Covid-19 will result in increased inequality.

With respect to criminal acts, anecdotal evidence across the world suggests that Covid-19 might have a negative effect on the number of criminal acts. In Slovenia for example, the number of criminal offences slightly decreased. However, as Figure 1 shows, the structure of criminal offences changed quite drastically. Based on Figure 1, the largest drop was recorded in commercial crime, criminal actions against official duty, public authority and public funds and law and order and also against human health (drugs). On the other side, the biggest increase was due to criminal acts against marriage, family and children. Looking more closely at domestic violence, it increased by more than 15% based on the average of previous years. Most likely this increase is due to low income families, since they, due to limited movement, have less square meter per family as seen before.

**Figure 1:** Changes in crime for different criminal acts in Slovenia in period 13 March to 13 April for the years 2019 and 2020; difference (left scale) and share (right scale).

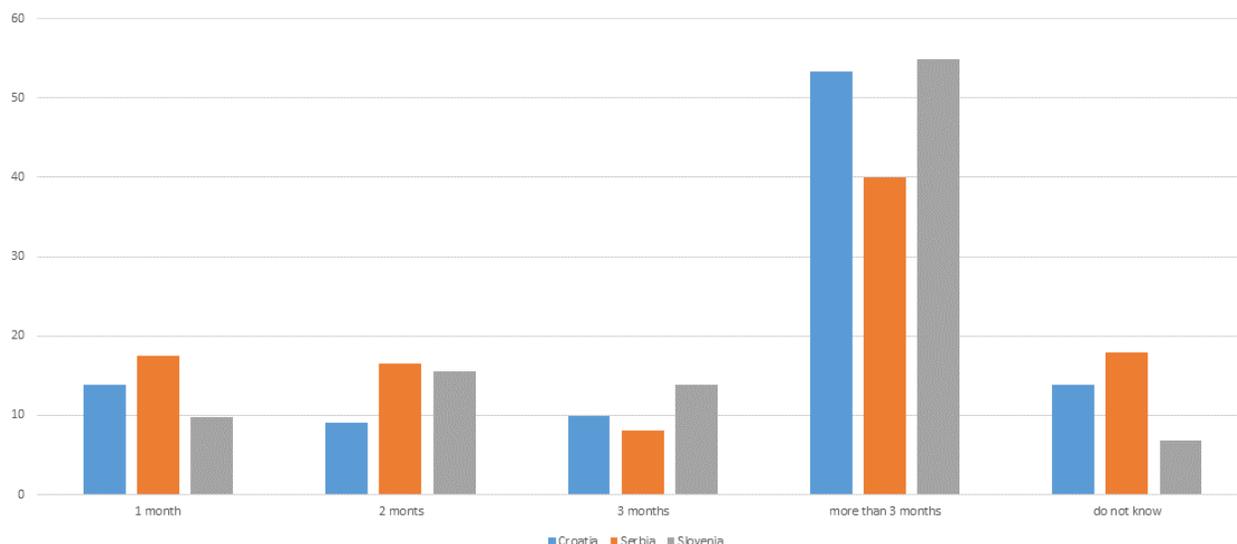


Source: Plesničar, Drobnjak and Filipčič (2020).

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Finally, let me briefly present how Covid-19 is changing people’s behaviour. There are clear differences between nations about their recovery. The Europeans are the least optimistic about their country’s recovery after Covid-19. The most optimistic are Chinese, which is probably due to the fact that covid-19 started there, followed by Americans ( McKinsey and Company, 2020). Looking more precisely into Balkan region, more than 40% of Croatian and around 55% of Slovene and Serbian say that more than 3 months would be needed that life will go back to normal after the end of Covid-19 epidemic (see Figure 2).

**Figure 2:** How much time would be needed that life will go back to normal after the end of Covid-19 epidemic (in %)?



Source: Mediana, 29. 4. 2020.

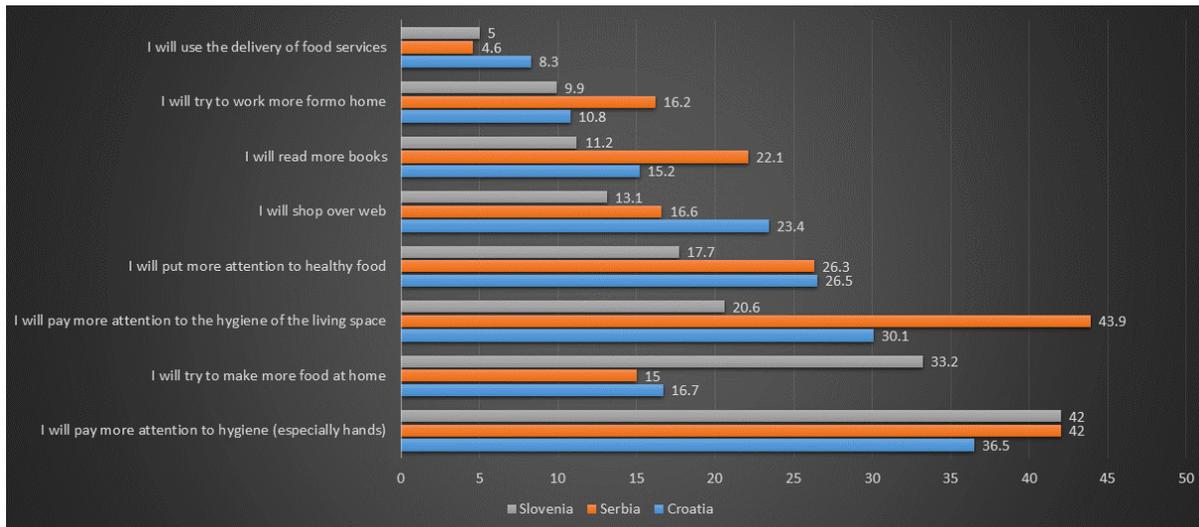
When Serbian, Slovene and Croatian were asked which habits from isolation period will maintain also in the future the biggest share was given in hygiene, more precisely in hygiene of hands and living space (see Figure 3). For example, 42% of Slovene and Serbian will pay more attention to hygiene, while for Serbian this number is was 36%. On the other hand, 33% of Slovene will try to make more food at home, while for Serbian’s and Croatian’s this number was much smaller, only around 16%.

After the end of the epidemic, Slovene expects (see Figure 4) that online shopping will expand (55 percent of them said that this is likely or very likely), followed by greater importance of public health (50 percent) and the country's focus on self-sufficiency (48 percent). On the other hand, the Slovene expects a reduction in international trade, since 25% said that this will happen likely or very likely. The picture is slightly different in Croatia and Serbia. Compared to Slovenia, respondents in Serbia predict less rise in online shopping (42 percent), and to a lesser extent in both countries they also agree that public health will gain importance, that countries will focus on self-sufficiency, pay more attention to vulnerable groups and that employers will encourage teleworking. A particularly large difference between the predictions of the probability of change

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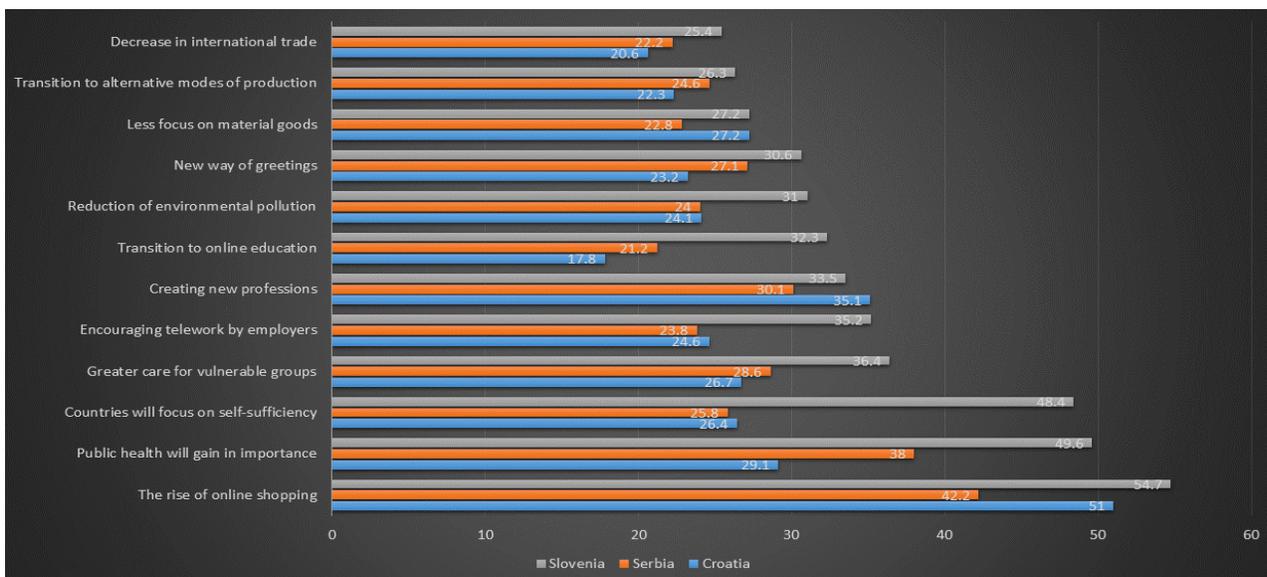
between the population of Slovenia and the population of Croatia and Serbia can be seen in the claims that their countries will focus on self-sufficiency, promote work from home and the probability of transition to online education.

**Figure 3:** Which habits from isolation period will maintain also in the future (in %)?



Source: Source: Mediana, 29. 4. 2020.

**Figure 4:** Estimate what changes you expect in Slovenia / Croatia / Serbia (% likely, very likely) after the end of covid-19 crisis.



Source: Mediana, 29. 4. 2020.

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Finally, McKinsey international study (McKinsey and Company, 2020) revealed that consumers across countries remain hesitant to return to international travel, large public gatherings, and trips to the mall once the effects of COVID-19 decrease. Across most countries, consumers say they will increase online shopping. There are estimate that the number of foreign tourists might decrease by 80% globally if the crisis lasts until the end of the year.

Looking ahead to the “next normal” consumers remain hesitant to return to some of the activities that were part of their daily life before the start of the pandemic. Consumers globally do not intend to undertake international travel soon, while consumers in several countries—with the exception of Germany and France—plan to restrict domestic travel as well. Most consumers expect to shop less frequently in physical stores for items other than grocery, simultaneously shifting that spending online (McKinsey and Company, 2020). Thank you for attention. I will be glad to join the discussion later on

**<Ioannis Theodossiou>** Thank you for your presentation. So, we could move to the next colleague, who is Józef Oleński. The floor is yours, thank you. Professor Oleński, can you hear me?

**<Józef Oleński>** Good evening, or good afternoon. Do you hear me?

**<Ioannis Theodossiou>** Perfect, thank you. Perfectly.

**<Józef Oleński>** So, I wanted to make my contribution.

**<Ioannis Theodossiou>** Thank you, you can start.

**<Józef Oleński>** I would like to thank you very much for inviting me to this very important conference that deals with one of most up-to-date global strategic problems of today, that not only medical, not only economic, but also political and technological. In my contribution I want to bring to your attention the issue of the pandemic that is not very popular among politicians, scientists and businesses, the issue that is rather the back-stage aspect of pandemic – the information safety and security of societies and economies in the time of pandemic.

Main two theses of my intervention are following:

(1) The information infrastructures of societies and economies, as well as the global infrastructural information system should be ready to supply to all stakeholders (governments, businesses, societies) relevant and pertinent information in case of extremal, unexpected phenomena and processes that bring social, economic or political consequences on local, regional, and especially on global scale, even if the probability of such events is very low. Coronavirus pandemic is an example of such phenomenon.

(2) The governments, international organizations and scientists should take care of maintaining the “clean” social and economic information environment that is the prerequisite of managing social and economic processes in case of large-scale shocks and catastrophes like pandemic.

International organizations, governments, businesses, scientists and societies were completely surprised by the dissemination of the coronavirus in globalized world although the Covid19 is not the first and the biggest pandemic in XX and XXI century, saying nothing about more distant time. It seems that the famous ancient Roman proverb “Si vis pacem para bellum” (If you want peace, be

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ready to a war) in the situation of Covid19 was forgotten. Why the governments, businesses and many scientists were so totally surprised by the phenomenon of the Covid19 pandemic? I think that the main reason of that “surprise” is the information gap between the information that the governments and businesses are systematically delivered by professional information systems (official statistics, administrative and alert information systems, scientific information systems) and real potential needs. This information gap is the consequence of the lack of adjustment of information infrastructures of countries and international organizations to the informational specificity of social and economic processes in globalized world. Infrastructural information systems are oriented on the informational support of administrative and business processes and on the delivery of ex-post information on these processes to selected stakeholders on their requests. Many infrastructural information systems are not prepared for delivering the ex-ante information warning on future global threats and enabling to forecast the consequences of unexpected phenomena if the probability of shocks or catastrophes is unknown. In some areas there were built the infrastructural early-warning information system, e.g. meteorology, natural disasters, some types of catastrophes, local or regional epidemics of the deceases well identified and examined in the past.

The difference between the Covid19 pandemic and similar pandemics and other catastrophes of that type in XIX and XX centuries is its very quick, global expansion and the immediate institutional reaction of all governments and some international organizations to block the expansion by the lockdown of all social and economic activities that may facilitate the dissemination of the Covid19.

For the shocks and catastrophes that are predictable or relatively probable, the governments and businesses are implementing methods and tools that – hopefully - are minimizing the risks and the impacts of those shocks and catastrophes on economies and societies, e.g. for seasonal or cyclic natural disasters, for diseases frequent or common in some regions or among some populations, chemical catastrophes, for traffic accidents etc. There are also developed the information systems that deliver the information necessary for proper decisions and interventions reducing or minimizing the impact of those processes on societies and economies.

However for very rare, exceptional or new types of shocks and catastrophes the countries and international organizations do not have information support. In such events the governments, businesses and societies are trying to use the information as well the methods and tools that were developed for similar extreme phenomena and processes. Those information, methods and tools are often not fully relevant and pertinent in the situation of new type or higher, unusual magnitude of catastrophe. The case of Covid19 pandemic is good example of such situation.

The information infrastructures are most often not prepared for unusual, extremal, very rare and unexpected new shocks and catastrophes. Especially the information infrastructures of countries and many supranational and transnational information systems are not prepared for monitoring and warning on new global social and economic events and phenomena. For example, national statistical systems are well prepared to produce regular statistics on typical social and economic processes, however they do not maintain the capacities to identify an measure unexpected, new phenomena. Official statistics needs usually 3 years for elaborating the methodology, verification of

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methods, implementation and realization of new types of surveys pertinent for monitoring, measuring and forecasting new pandemic like Covid19.

It seems that the inertia of statistical and administrative information systems is the main cause of information gaps between the needs of stakeholders and the information produced by existing information systems. In extremal situations like Covid19 pandemic the decisions are taken on the basis of available information, that in not and cannot be pertinent to new unexpected situations.

**NEED OF PERTINENT INFORMATION**

The scope of information needed in extremal situations like pandemic is much wider than in normal situations because the spectrum of stakeholders of information describing the pandemics and other extremal and catastrophic situations is very wide.

During pandemics like Covid19 or other transnational and global catastrophes the information system of governments and international organizations should take more responsibility for delivering pertinent information for all stakeholders, especially for population, governments and organizations involved in prevention and fights against threats. It should be PERTINENT information, not the noise dominating now in mass media often misleading many stakeholders – people, local and even central government officers, politicians and even scientists.

Official statistics, scientific information systems, administrative information systems, scientists producing relevant information, and mass media should take the responsibility of the producing, active delivery of relevant and pertinent information and dissemination to the public. Special responsibility of delivering relevant and pertinent information rests on scientists, experts and mass media, including the internet.

**NEED OF CLEAN SOCIAL INFORMATION ENVIRONMENT**

In global pandemics or other catastrophes for effective overcoming of the threats, for stimulating safe behavior of people and for economic activity “clean” social information environment - global and local - is absolutely necessary. The clean information environment means that

The polluting of the information environments of societies and economies by the disseminating not verified, misleading, erroneous information on pandemics and related phenomena should be not only prohibited by law, but also penalized adequately to the potential consequences of such information for the users.

Infrastructural information systems should be ready to deliver relevant and pertinent information directly to all stakeholders, also without their explicit requests. The stakeholders of information in case of exceptional situations may not know, what data would be usefull for them in concrete usage situations.

The information producers and disseminators should be ready to define potential needs users in their new situations. It should be taken into account that in case of pandemics and in other exceptional situations the institutions and staff involved in activities connected with pandemic have new responsibilities and new information needs. The fight with pandemic cannot be only the duty of medical services. To the contrary, paraphrasing the well-known saying of Napoleon Bonaparte

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*“War is to important thing to be left only for generals” we can say that “Pandemic Covid19 is to important to be left for professors of medicine” and that “Global crisis generated by Covid19 are is to important to be left for macroeconomists”.* That means that it is not enough to know all medical information about coronaviruses, number of infected people and vaccinations, but also many other information – social, economic, ecological, political etc. that are relevant for all stakeholders of data on pandemic and its consequences for economy and society.

However today many professional information systems, including official statistics, are suffering the *“Fernand Cowboy Syndrome”*. Those systems as producers of information are not prepared to deliver pertinent information, because they do not know what information is pertinent in concrete usage situations of particular types of stakeholders.

**NEED OF NEW THEORIES AND METHODS - LOCK-OUT, NOT CRISIS**

The Covid19 pandemic has denuded the lack of pertinent information necessary for the social safety and security of population, governments, businesses, social organizations. For example the economic statistics cannot find in their surveys the data that are sufficient for modelling the economic consequences of administrative lockdown of some branches of economy (e.g. tourism, services, air transport, distant work and distant learning, etc.). The theories of market driven economies, that are nowadays popular among economists and businesses, occurred to be not only useless for simulation of the processes of “freezing” respective branches of economy, evaluating the efficacy of economic tools introduced by governments and the simulation of the processes of getting out from the lock-down, but even can be misleading for governments and businesses.

The coronavirus has also denuded the anti-effectivity of liberal market-driven economy and very limited usefulness of macroeconomic statistics. For example, in many countries the term *“crisis”* is repeated by many economists, politicians, journalists and even the businesses. They say that the economies will need years and years to come out from the lock-down of some branches of economy. They are crying that the annual GDP will drop down by 10 or 5 %. As a statistician I think that in the situation of pandemic and administrative fight with it the system of national accounts SNA and its basic macroeconomic categories have lost their usefulness as the indicators evaluating the economic growth and progress.

Economic sciences need new statistical indicators for analyzing socio-economic processes in globalized economy that may be hit from time to time by global or transnational extremal phenomena like pandemic. The so-called *crisis* in the countries that are hit by the coronavirus is quite different than any economic crisis in the past. In fact it is the administrative lock-out of some branches of economy, of social and cultural processes, concentrated in some regions of the world. This lockdown is not the effect of economic processes but it is introduced by politicians using the laws and the power of government administration. The getting out from the lockdown also depends not on the progress of medical services but on political decisions of governments based on the subjective opinions of selected experts. I suspect that a day after the end of the lockdown announced by the politicians, the “frozen” businesses could start immediately their activities if in the meantime they would not be devoured by bankers and usuries.

As I said before, the governments should take the responsibility of minimizing social and economic consequences of the administrative lockdown of some parts of economy. For that the pertinent information should be delivered by official statistics, scientific and technical information systems, by administrative information systems and all infrastructural systems managed by businesses.

The lesson that should be derived from the coronavirus pandemic Covid19 that it is necessary to re-design the functionalities of most of infrastructural information systems of countries and international organizations having in mind the famous roman saying “si vis pacem para bellum”. That means that all infrastructural information systems should be ready to react in any critical, extraordinary, unusual, catastrophic situations providing immediately pertinent information to concrete stakeholders that need different scope of knowledge on pandemia and all other relevant phenomena and processes<sup>1</sup>.

Pandemic and other global catastrophes do not respect political borderlines. Because of that there is the need of transborder statistics and information systems. It will help the governments to cooperate in transborder regions in case of catastrophes and other extraordinary situations<sup>2</sup>.

So, I would like to formulate a thesis that, along the globalisation of economic, social, and political processes, there are growing information gaps. And governments, businesses, and societies are living with growing information gaps and uncertainty. So, the duty now is what lessons we can learn from the pandemic. Because this pandemic, a global pandemic, is not a completely new thing. We do not remember that, but history shows that exactly 102 years ago we had a terrible pandemic. It was the so-called Spanish Influenza, and some estimate that about 50 million people -it was just at the end of WWI- about 50 million people died because of this flu.

Now, we have a pandemic that is, to some extent, under control, to some extent, not. And what we can do, or should do, now is to try to work effectively with such a catastrophe like this pandemic, and not only a pandemic. I think what could be done is to build global information infrastructure, like, for example, what the financial sector has built - its own global information infrastructure. Telecommunications have the same. And some branches of the economy that are globalised have built their own global information infrastructure. But in some domains, the United Nations and their specialised organisations are trying to do so; but, as we see the World Health Organisation, and not only, was, in fact, not prepared for such an unexpected phenomenon as the coronavirus.

So, what is the first duty? First of all, governments and international organisations have to build this information safety and security of societies and governments, as well as local governments, social organisations and businesses. First of all, the duty is to build a clean social information environment. We are living with invarious environments: natural environment, ecological environment, economic, institutional environment, and, also, social environment. What is important

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<sup>1</sup>The proposals of re-engineering of official statistics are proposed in my paper: *Official statistics in fragile countries, regional and branches of economy*. With the sub-title “Si vis pacem para bellum”, SJIAOS, Vol. 33, issue 4, 2017

<sup>2</sup>See The Center of Regional and Transborder Studies of Rzeszow University(UR). The Center is involved in the researches in theory, methods and empirical studies of transborder phenomena and processes. The UR is also the publisher of the international scientific journal “Transborder Economics”.

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today is the information environment. It should be treated in the same way as, for example, the natural environment. You can see what has happened with our information environment -by which I understand information systems, resources, processes, that are creating our information network. Now, we are receiving a lot of different information that is relevant, or irrelevant, on the pandemic, and it is the prevailing issue in the mass media and in politics; besides researchers have started analysing such processes. I think we should -by 'we' I understand the institutions, such as statistical offices, scientific information systems, as well as research institutes and the academia- we should formulate proposals for building systematic collection and dissemination of verified, good-quality information. Because now, in our information environment, we have a lot of 'noise', a lot of information without any control of its quality.

**<Ioannis Theodossiou>** Just only, for the five minutes limit, you know, if you could summarise, you will have the opportunity of a second go.

**<Józef Oleński>** By the end, some conclusions for economists and statisticians. The Covid19 has shown that we need new theoretical approaches and new methods. Just to give you an example. Now, we have been discussing, in sessions 1 and 2 a lot of things about the crisis our economy caused by the Covid19. I think that we must stress that nowadays we do not any "traditional" economic crisis. It is, in fact, an administrative lockdown. Why is it so important to identify this, i.e. that what is happening in many countries is not a crisis but a lockdown? Because the way out from a lockdown must be quite different from the way out of an economic crisis. I am afraid that this obvious fact is not understood by "neoliberal" macroeconomists basing on the SNA and GDP. Those economists, or rather the prophets of neoliberalism say, that it will take years for the economy to get out of this situation, may be completely wrong.

I think that what is needed now is not a system of national accounts, but a system of global accounts that will give us concepts, definitions and classifications, as well as other tools, that can help us to analyse the processes, the socio-economic processes, in a globalized economy. Because we now know very well that political borders are not only political, but, also, -from a social point of view, an economic point of view, an ecological point of view and a pandemic point of view- political borders are only one of many tools of delimitation. The prerequisite of proper thinking of global and national extremal processes is the reengineering of information systems and building new system of official macroeconomics, not the SNA (system national accounts) but the SGA (system of global accounts). It is also necessary to include to the systems of official statistics the statistical monitoring of extremal situations, phenomena and processes.

To achieve that the official statistics should be integrated with other social, economic and technical information systems, administrative information systems. This integration shall refer to the collecting, disseminating, processing the data that we see are necessary in case of external situations, in case of catastrophes, not only regional, but also trans-national or global. I have in mind, first of all, the trans-border information systems and trans-national information infrastructure. These are some lessons we can learn from what we are facing now.

## SOME PRACTICAL CONCLUSIONS

- 1) In globalized information society and knowledge-based economy the population should be delivered pertinent knowledge in case of any threats, disasters, pandemics and other global and large-scale catastrophes.
- 2) Most of existing information infrastructures and information environments are not prepared to react immediately in cases of extremal phenomena, events and processes, catastrophes and shocks. Governments and international organizations should encourage or made the institutions responsible for information safety and security of countries and regions to adjust their information systems also to extremal, catastrophic, events, phenomena and processes.
- 3) Pandemic like Covid19 as well as other global and regional catastrophes and shocks caused by the globalization and fuzziness of national economies have proven urgent need of new macroeconomic indicators relevant for measuring and analyzing processes in extremal situations, in fragile branches or regions. Traditional indicators of SNA, the indicators used in the Social Development Indexes (SDI), Millenium Development Goals (MDG) and other macro or mezzo-economic indicators should be supported or replaced by new social and economic data.
- 4) Because of globalization, the usefulness of widely used theoretical approaches and indicators should be verified. E.g. statistical system of the SNA seems to be useless and may be misleading. Need of the extension of the SNA – elaboration of the System of Global Accounts (SGA). GDP is not very informative in global economy especially when the financial sector is completely detached from real economy.
- 5) And last but not least – *information ecology*. Democratic societies have the right to live in transparent, “clean” social information environments: local, national, transborder, regional and global. International law protecting the quality of social information environment to defend the information safety and security of population, businesses, governments and social organizations is absolutely necessary in globalized world.
- 6) Social information safety and security of people, governments, social and political organizations and entrepreneurs is the prerequisite of all other safeties of societies and economies: not only medical, but also social, ecological, political, economic, internal and external security of countries and nations.

Finally I want to stress that the lessons that economists, information managers and mass media and other active stakeholders should learn from the lesson of Covid19 is that it is necessary to stimulate and to encourage official statistics and the institutions managing infrastructural information systems and creating the information environment of society and economy is that the global information safety and security is the first condition and prerequisite of sustainable development in globalized world. That’s all, thank you. I thank you very much for your attention.

**<Ioannis Theodossiou>** Thank you. We shall continue, then, with Dr. Sabri Öncü.

**<Sabri Öncü>** It is Yiannis?

**<Ioannis Theodossiou>** It is Yiannis, thank you.

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<Sabri Öncü> Thank you very much for the invitation and I also would like to thank all of the panellists and, particularly, Yiannis because he made my life very easy with his summary of what has been going on after WWII. Maybe two other dates or years I might add to that summary would be 1971, when Nixon ended the Bretton-Woods System, and 1973, the year a *coup d'état* took place in Chile, after which the neo-liberal experiments started. And since then we have been experiencing what Yiannis summarised as neo-liberalism.

And, as Yiannis said, Covid-19 is not the cause of the current crisis; it is just the trigger of the last leg of what has been going on probably since the dot-com crisis of 2000. After that, we had experienced the 2007-2008 Global Financial Crisis, then the 2010-12 European Debt Crisis and so on. And now, we are dealing with the Covid Crisis.

Probably starting with the presidency of Clinton, what we have observed is the rise to prominence of the financial sector. Indeed, if you remember, we started hearing the word "globalisation", for the first time, after Bill Clinton became the President and shortly after that, another term came into being, probably 5 or 6 years later. Maybe a bit later, I am not sure. It was the term "financialisation". Financialisation, globalisation and neo-liberalism are all alternative names of what I call "imperialism," during which the finance capital becomes the dominant power.

In the first panel, if you all followed Michael Hudson, he talked about the financial oligarchy, and Jeffrey Sachs talked about the neo-Fascism that's going on in the US. In other words, there is a crisis of democracy that is going on in the US, and, very probably, it is going on not only in the US, but also all around the world, because the leaders of our countries are now in the service of this financial oligarchy. And if we are somehow going to, in Michael Hudson's words, fight with the winners of this war as the losers and reject the reparations we are paying to the winners, we will have to deal with this crisis of debt.

All the money we owe is to the winners of this war -or to the so-called 1%- who constitute this financial oligarchy. If you look at the US, the UK, Eurozone -where the central bank is the European Central Bank- Japan, Switzerland and other major countries, the ongoing interventions the central banks undertake are interventions in the service of the financial oligarchy, or finance capitalism. And we the losers -or the so-called 99%-are suffering from a heavy debt burden. What the Covid Crisis made apparent was that these debts are not payable. In other words, a major global debt crisis had been in the works, we had been expecting a trigger, and it turned out that the trigger happened to be Covid-19. Covid-19 made the major debt crisis that we are going through visible.

Let me classify the countries into four groups: advanced economies, high-income developing economies, middle-income developing economies and low-income developing economies. In the first two, in the advanced and high-income developing economies, what we observe is a major non-financial private sector debt crisis. In these countries, non-financial private sector debts are unpayable. While what we observe in the advanced economies is that not only the non-financial corporate sector, but also the household sector is heavily indebted, in the high-income developing economies it is mostly the non-financial corporate sector that is highly indebted. When we look at the middle- and low-income developing economies, on the other hand, the main indebted sector is the public sector. So, what we are experiencing is not just a public sector debt crisis or a non-

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financial private sector debt crisis or a household sector debt crisis or a non-financial corporate debt crisis. Debts are un-payable in all these sectors.

What are we going to do?

Since the title of this online conference is not just about the discussion of the systemic crises triggered by this pandemic, but also progressive ways out, I am going to make a proposal.

A global debt jubilee.

If debts that cannot be paid will not be and we are observing that the ongoing income statement crisis after incomes have disappeared is becoming a balance sheet crisis because many of the debt assets on the balance sheets of financial institutions are losing value because of the defaults and the delinquencies they are experiencing, if we are going to get out of this crisis, we have to demand a major debt relief from the 1%. Our creditors. This would include not only the extension of the payment periods, but also major 'haircuts' to the principals of existing debts. And we should demand this not only for the non-financial private sectors of advanced and high-income developing countries, but also for the public sectors of middle-income and low-income countries. Indeed, such proposals have been made -I am not the first one to propose them- and jubilee proposals have been going on for at least two decades, if not longer.

Recently, United Nations Conference Trade and Development (UNCTAD) called for a debt jubilee for the heavily indebted developing countries. What I'm saying is that, rather than focusing on this or that country or just a section of the developing countries, let us do this global debt jubilee for all of us who are heavily indebted, in all countries, in a globally coordinated fashion. I am not going to go into the details of the proposal I made with Professor Ahmet Öncü, who happens to be my brother - you can tell because of the last name. But to sum up our proposal, again as Michael Hudson mentioned in his presentation in the first panel, it is about using the state's money creation capability to implement a globally coordinated debt jubilee, both for the global non-financial private sector as well as for the public sectors of developing countries. I guess I am about done, five minutes or so?

**<Ioannis Theodossiou>** I think you are at five minutes.

**<Sabri Öncü>** Then I cannot give the details of what type of globally coordinated debt jubilee can be implemented now. Hopefully, I'll expand if questions come in the next round.

**<Ioannis Theodossiou>** Thank you very much. So, we shall proceed with Professor Dr. Jelena Žarković Rakić.

**<Jelena Žarković Rakić>** Thank you for offering me the possibility to discuss with you the crisis that emerged as a consequence of the COVID-19 pandemic;

My presentation is largely on economic and social consequences of the pandemic for Serbia, but I think, it could be useful for other countries with similar social and economic situation. As IMF called lockdown measures a Great Quarantine, for Serbia really was and in the regional and European perspective it was one of the greatest, because we had some of the toughest measures, lockdowns - in fact, curfews- lasting over the entire weekends, so from Friday to Monday, we were completely

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closed down in our homes. But, on the other hand, it seems that we managed to control the epidemic in Serbia since the death toll per million of population it's among the lowest in Europe. And I think the whole central and eastern Europe fared much better than western Europe in terms of this indicator.

According to the IMF, Serbia expects to finish this year with 3% fall in the GDP. Similarly, World Bank predicts that Serbia is expected to face 2.5 % contraction of its economy in 2020 providing containment measures are lifted by end-June, and 5.3 % if containment measures can only be lifted at end of August

There are several reasons why GDP contraction in Serbia will be one of the lowest in Europe. Serbia is less reliant on external trade and tourism. Contribution of tourism to Serbian GDP is 6% while, for instance, 25% in the case of Croatia or 12% for Slovenia. Also, number of people employed in tourism is only 4% out of total employment in Serbia while in Croatia, Albania, or Montenegro employment in tourism is between 20% and 25% of total employment. Second reason for lower GDP contraction in Serbia is lower trade volume with countries hit hardest by the covid19 crisis, most notably Italy and Spain. Our export to Italy is 4.8 % of the GDP, but this is half of that for Slovenia and Albania (9% of the GDP). Finally, Serbian government decided to use significant fiscal resources to counteract the downturn -5.2 billion Euros program, which is around 11% of the GDP. The program addresses employment and liquidity concerns in the whole private sector.

Regarding social consequences of this crisis, Serbia enters it with one of the highest income inequalities in Europe as measured by the Ginico efficient (close to 0.38). Also, at-risk-of-poverty rate of 24% is very high. The labour market is very segregated: it has this dual structure with almost half of the employees belonging to secondary labour market segment with less secure jobs, lower paid jobs on quite flexible contracts (part-time, zero-hour contracts or working through leasing agencies). Secondary labour market segment covers informal economy as well. Informal employment rate of 20% has been for high for the last 20 years.

From previous crises we know that people with insecure contracts are, in fact, the first to lose their jobs and many of them will be young people, because young people have less working experience and they are first to become unemployed when crisis hits.

I think Matjaž was talking about the percentage of people who can work from their homes. Almost half of the total number of workers in Serbia are in this precarious employment and have fewer possibilities to work from their homes. Many of them have to continue working, so exposing themselves and also potentially the others to the virus.

I think the other problem is, also, that -especially when working in the informal economy- they cannot access social safety nets. There is one measure that can be useful for them in this large fiscal programme that the government introduced in April this year. The government announced payment of, let's call it, an unconditional transfer to all adult citizens. It's one-off payment, and it's quite low: it's 100 euros, so it cannot help much, but it's better to receive something than nothing.

And, also, for years, remittances have served as a kind of informal social safety 'buffer'. They account for almost 8% of the GDP in Serbia and experience with previous crises shows that

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remittances tend to be resilient during economic downturns. This time, however, it may not be the same case, because people from Serbia working abroad may also lose their jobs. And what we've seen, since this crisis started, is that many of them have returned to Serbia, which means that many of them are working on flexible contracts elsewhere and they were forced to come back to Serbia.

Regarding social consequences of this crisis, some systemic problems that existed before became more visible during this crisis. For instance, almost 200,000 people older than 65 have no pension income and when the crisis started the government decided to increase the pensions, but this does not apply to this group. They can only receive 100 euros, the one-off payment. Also, there are poor people who, due to some very harsh eligibility criteria, cannot access formal social safety net. For instance, they have more land than is allowed but they are not working on that land and it is hard to sell it. So, when a crisis like this hits, they cannot work; maybe they're just working in the informal economy, but when you are locked down in the house, you cannot go to work, even that informal one, so they're left without any income. And I think when this crisis is over and when public revenue conditions improve, this problem should be put on the agenda, to integrate the people who are, in fact, not visible to the formal social safety net but still poor. Thank you.

**<IoannisTheodossiou>** Thank you very much. Just something that came into my mind and I think it will be interesting to discuss it briefly during some of the time we have available.

A lot of virologists and, also, epidemiologists have pointed out that this virus, Covid-19, has not, compared with other, similar viruses, a very high mortality rate. The mortality rate is normally lower than other, similar viruses. The issue of this virus is that it transmits very, very fast compared to the other viruses and, at least for the country I live in and other countries of western Europe that I know best, the problem is the lockdown, which is not implemented because the virus is too dangerous, but because of its fast transmission; governments are worried that the respective health systems can not cope with it.

But, then, the question arises why are the health systems unable cope with this? Every epidemiologist was expecting a possible pandemic, because that was something very well-known and, in the UK, it was a kind of drill for the National Health Service in 2005, and they found that the system was totally incapable to deal with a pandemic, with any pandemic. Yet, the government continued to run it down. And this brings me back to the initial question, that these neo-liberal policies, have run down the health systems so badly that they cannot cope. So, the governments have locked the people down, notwithstanding all the consequences of unemployment and the looming depression. So, the issue, again, brings me back to this irrelevant neo-liberal financial accounting that is prevalent in the EU, in the US and elsewhere, that we have to remain poor because it does not "pay" to become rich. And we have to die in underfunded health services, not because the economy cannot afford or cannot sustain a better health system, but just because it doesn't "pay" to have it. And this self-destructive, neo-liberal financial calculation governs almost every facet of political life.

And I would like, if you wish, to have your comments on that. Thank you. We can start again alphabetically, and we continue; so, if Arjan would like to start... We cannot hear you.

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**<Arjan Gjonça>** Thank you. Often, that's a very important question and it's going to be at the heart of the policies for at least the UK government in the coming years and decade. As I have mentioned, when we analyse the systems in Europe, based on their capacity to cope, their readiness to cope with a pandemic of this type, the UK, Italy and Spain, which were the hardest hit, were the ones least prepared. And you quite rightly said, I don't want to go into the history of not funding the NHS, but I want to make one point, the creation of NHS was meant to bring down inequalities in our society. It was free at the point of delivery and it was supposed to be something that quite a lot of countries would implement in the coming decades.

What happened was that, the way, and probably you're right, it's gone to this liberal capitalism way of thinking, the way investment in the NHS has gone in the last 20 years has been on a needs-basis, which means that everything has been assessed on a cost-effectiveness aspect. And that idea of working everything on cost-effectiveness and not planning on the supply-basis -like some economies- I mean the German system was not based on just a need-basis, but much more on a supply-basis and it had more capacities to build and cope. And I agree with you that most of the UK policy on Covid-19 was organised based on two very important aspects: the one you mentioned, the fact that we need to flatten the curve through isolation/distancing, so that we could help the NHS cope. Why would the NHS not cope? Why has the number of beds in intensive care gone down? You quite rightly said that in 2005 we had an 'exercise'/drill for a possible pandemic or another threat, which resulted in a complete inability of the system to cope, and then we did absolutely nothing. And I think this is what probably needs to change, the way we look at our welfare state, and the health system is part of it. Jelena talked about the elderly and the way the pension system works. We need to go back, and we know after the 1930s crisis, the answer in Keynesianism was in a less liberal capitalistic regime and more government involvement through investment.

And I leave it at this point so I can let the other colleagues talk about it. Thank You.

**<Ioannis Theodossiou>** Thank you. We can move to the next colleague who is willing to talk, and it is Professor Koman.

**<Matjaž Koman>** OK. I don't totally agree with what you said, .

Northern Europe, has, at least to my knowledge quite a lot of deaths compared to the other parts of Europe, despite the fact, that their health care system is advanced and is capable to handle respiratory illnesses.. However, the number of patients with respiratory illnesses exceeded they available beds, respirators and qualified medical personnel. In Slovenia, health care system is by waste majority public, but is underfunded. The problem is that healthcare cost(for example new biological medicines are coming into the market which are very expensive) is increasing at a substantially faster rate as GDP increases and funding of healthcare system is not able to cope with such increase. Therefore, each country, society, needs to answer two questions. First, how much will increase the funding to the public healthcare system to cope with the higher increase in healthcare cost, and second, where this money will come from. For example, the government can decide to increase the funding to public healthcare system on the expense of public education or pension system. There will clearly be a trade-off, since resources are limited.

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What this crisis has shown, that public healthcare system is more equipped to handle pandemic crisis, as Covid-19, compared to private healthcare system. Also(at least in Balkan region) trust in medical personal and public healthcare system has increased. Therefore, voters might put more pressure on politicians to increase funding on healthcare system, especially public healthcare system. However, will this increase be big enough to accompany the increasing healthcare cost, the time will show.

**<Ioannis Theodossiou>** Well, if I abuse my position as the Chair, a bit, on this, I would say that it is amazing that when there is money needed for, say, waging a war or some other action, e.g., bailing out banks and so on and so forth, money is always available. When it is about public health, the money isn't there. And this is an outcome of neo-liberalism, too. But I won't elaborate on this. Probably our next panellist would like to come. It's Józef Oleński.

**<Józef Oleński>** The lesson that we can learn from this discussion is that the liberal theory of market-driven economy is mainly an exercise on paper. I sometimes ask my students, could you show me any economic activity that is not regulated by at least three or four legal acts? In fact, in practice, we have a regulated or overregulated economy, and, in the European Union and in some branches of the economy, in fact, there are fully regulated activities.

I would like to refer to the very inspiring contribution by Professor Jelena Žarković. For me, it is inspiring because it shows we really should do a lot of methodological work to propose more precise, more relevant measures/benchmarks for the existing situation, such as statistical indicators and other data that would better describe the situation. For example, unemployment or the impact of trans-border processes on the situation inside a country. For example, 20% of the population are working abroad, especially in small and medium-sized countries. This fuzziness of the national economy has a very strong impact on the situation, and classic analysis based on the system of national accounts, in fact, can even be misleading, instead of explaining.

Last but not least, similarly to this saying by Georges Clemenceau, that 'something was too important a thing to be left to generals', we can say that the pandemic is too important to be left only to professors of medicine, and that globalisation is too important to be left to macroeconomists. I think it is also our duty, as scientists, to more courageously propose and demand that official statistical agencies, international organisations involved should define, for example, the Millennium Development Goals or, the World Bank, SDI indicators, that they should propose more relevant indicators, which will better explain the situation and how to forecast the future. The same is true especially concerning social phenomena and processes, health, education and so on. After this pandemic I hope we will have the opportunity and time to analyse, to propose new methodological approaches, and to analyse the consequences of this pandemic. For example, for the education system and so on. Thank you.

**<Ioannis Theodossiou>** As we are running out of time, I would probably like to proceed. Thank you very much. For our next speaker, Sabri, would you like to comment?

**<Sabri Öncü>** Thank you, Yiannis. Remember, I started with a radical proposal; I will continue with some more, particularly to answer one of the questions that you asked. If we are able to find money to wage wars, if we are able to find money to bail out banks, if we are able to find money to save the

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1%, why can't we find the money to spend on healthcare? Or, more generally, on public goods and services?

So, my second radical proposal, before going back to debt cancellation, is renationalisation of public goods and services sectors, plus natural monopolies. What are natural monopolies? I mean the energy sector, the iron and steel sector, I don't know. Any sector in which it is socially more beneficial if there is a single monopoly in the business. What are public goods and services? Let me use the definition from neoclassical economics. How do they define the private goods? Rival and excludable. Right? So public goods and services are non-private goods and services. Let the markets produce those private goods, but nationalise the rest, together with the natural monopolies, because what is being produced in some of the natural monopolies are private goods.

Where are we going to find the money for that?

Now, I'll go back to what I said in my first proposal. We can use the state's money-creating capability. Remember the following: money in any country is created by the banking system, consisting of commercial banks plus the State. And there are two institutions of the State involved in this game: one is the Treasury and the other is the Central Bank. And, indeed, what we are seeing in the US, for example, is that between the Fed and the US Treasury, they are creating as much money as they like to actually finance this 1% bailout that's going on. They are saving the financial sector.

Why can't we save the rest?

One problem, if you do that, in other words, if you do this debt Jubilee, debt cancellation using the state's money creation capability is that you are going to flood the market with tonnes of money. How are we going to drain some of that money that we introduced into the system so that when everything goes back to normal -whatever normal means-so that we get some of that money back?

Then comes taxation. Tax the rich. This is what Piketty and his co-workers have been proposing, so what I'm saying is, let's bring that in, too: implement a globally coordinated debt cancellation, renationalisations I proposed, and a globally coordinated wealth register Piketty and his co-workers proposed so that we can tax the rich and use their money to drain some of their money we pumped into the system, and start from a clean slate that Michael Hudson was talking about in the first panel.

And I stop here.

**<Ioannis Theodossiou>** Thank you very much. We can go to Jelena, if she would like to comment.

**<Jelena Žarković Rakić>** Just one quick remark. I think this question of financing; in Serbia we have a public healthcare system, but also very well-developed private one. And spending hasn't changed for the last 10 years, but, as we heard what Arjan said in his comment, for instance, the UK had for the last 10 years had austerity measures and that certainly impacted the NHS. But, on the other hand, we also know that, when this crisis hit, the UK was talking about herd immunity and maybe, you know, they lost some very precious time preparing for the pandemic.

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Why I'm again bringing this comparison of central and eastern European countries and looking at their death tolls and those of western Europe? I mean, we are hearing stories about doctors and nurses going to western Europe and that's not only the case in Serbia, but also in many of the central and eastern European countries. So, for instance, Serbia didn't accept the advice given by the World Bank to reduce the number of beds, but, on the other hand, doctors and nurses, many of them, left Serbia. So, it's not only a question of beds, it's also a question of resources.

So, I think for those reasons, we had to accept this more strict quarantine measures. I also think that this pandemic will teach us something not only in terms of how we are going to organise our health systems, but also other systems that should be implemented in case of other emergency situations.

**<IoannisTheodossiou>** Thank you. I'm afraid that we are almost, well, we have overrun somewhat the time we had available. The issue is that we also have a few questions from our audience, and I propose that the organisers could send them to us, and we could answer to our viewers tomorrow. I really apologise to them that we didn't have the time to discuss all the questions, but I'll take this opportunity to thank you very much for your participation and your interesting discussion. I am sure we shall meet again and, probably, we shall be able to discuss these issues, again, probably after a few years. Thank you very much.

**<Grigoris Zariotiadis>** Thank you, dear colleagues. I hope that you can hear me. I have to say that we are very satisfied from the organisational quality so far with this first attempt of ours, as the Association of Economic Universities of South-eastern Europe and the Black Sea Region; and not only from the organizational quality, especially from the quality of the content of your contributions and your discussion.

As Professor Theodossiou, as Yiannis said, we said it also in the first panel, there will be, because we were overrun by many.... -this is very nice and shows how effective the dissemination was and how effective the live stream process was- we were overrun by dozens of different questions. You will receive these questions and, if you find the time, in the next days, to answer them, it will be a contribution to the final version of the e-proceedings that we will publish.

Once again, allow me, on behalf of the Board of the Association and of its members and also of all who participated as applicants or simply as watchers of this teleconference of today, allow me to thank you once more for your contribution and to express a feeling that we all have, that it was a fruitful procedure that resulted in many important, applicable and useful ideas for the future of humanity, that can be implemented during, but also after, the pandemic of the coronavirus. Thank you very much, once again, and I wish you all the best. Stay healthy, stay calm and stay as active as you have been today.

Thank you very much.

**Association of Economic Universities  
of South and Eastern Europe and the Black Sea Region (ASECU)**

**Proceedings of the 1<sup>st</sup> Teleconference**  
Association of Economic Universities of South and Eastern Europe  
and the Black Sea Region(ASECU)  
(May 8, 2020)

**ISBN 978-618-83699-1-7**

Thessaloniki, Greece, 2021