

Creating Mutual Prosperity.

The Essential Role of Private Enterprise and the Rule of Law
to Rebuild Economies and Grow Employment.

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Dear colleagues,

Firstly, I would like to cordially thank the excellent organizers and dedicated participants for this inspiring activity.

The nature of the covid-19 crisis differs substantially from other global crises, including even the 2008 financial crisis.

In the speed of spread, in the ambiguity of the causes, and the uncertainty of the weight of the multidimensional costs and its duration, the crisis of covid-19 is deeply specific.

Human, social, economic, financial and political costs of covid-19 are fueling political instability not only in weak or poor countries.

Radicals and nationalists are gaining ground in the public opinion that will create additional costs.

The disruption of the global supply chain hit the economy hard, produced hundreds of millions of unemployed, putting many of them in poverty, and shut down millions of private businesses.

Covid-19 is increasing uncertainties of consumers and private investors. In the age of digital information, the speed of panic and uncertainty exceeds the speed of light.

Panic which is raising insecurities and uncertainties - is our greatest enemy in tackling the crisis. By "killing" consumption and private investment, covid-19 made it harder for governments to offset the decline in aggregate demand in the economy.

Although about 9 - 13 trillion\$ have been thrown into the global economy so far, the economic downturn during 2020 is large, and public debt for many countries has reached a critical level.

Against the costs of covid-19, governments have three policy instruments and counter-cyclical measures.

First - unconventional monetary policies. Second - expansionary fiscal policies.

Unfortunately many governments did not follow the golden rule of managing the economy and public finances “The time to repair the roof is when the sun is shining”.

The third but most important tool to deal with the consequences of covid-19 are the structural reforms that begin with the expansion and deepening of functional democracy, property guarantee, and separation, balance and control of the three powers.

These reforms that expand and increase equal opportunities, are also favored by the knowledge economy, which ensures a faster, more complete and less costly dissemination of knowledge for all social groups.

Thanks to the information revolution, knowledge as a public good can be obtained without previous obstacles by any child, student, mother, individual or family business, small or medium, in the middle of a capital city or in the most remote village.

Consequently many poor countries, some developing, as well as some developed countries, do not have fiscal space to inject as much money into the economy without increasing public debt to critical levels where debt would suppress a healthy growth of the economy.

While private business is reluctant to take on new debts from state aid or sovereign guarantees, economics experts compare this situation to an owner forcibly pulling the horse towards the water, but the horse does not drink because it is not thirsty. Private business has no thirst for new debts due to the uncertainty about the future.

Usually anti-crisis measures are based more on budget cuts than on structural reforms that nurture higher, sustainable and healthy economic growth, growth that supports people of low income, the green economy and the knowledge economy.

The most vital structural reforms currently needed are reforms on anti corruptions and state capture.

The cost of cheap money is fueling populists and corruption.

An IMF study is highly critical of the increased risks of misuse of PPPs.

The study notes that in poor countries and with weak institutions there is a risk that 30% to 50% of PPP funding IN infrastructure will be misused by corruption.

Is impossible to reduce the size of the consequences and duration of crisis of Covid-19 without improving business environment, which needs some structural reforms on :

- (i) Education - focus on STEM
- (ii) Labour market – about structural unemployment
- (iii) reducing the administrative and financial costs to start, develop and close a business;
- (iv) formalizing trillions of dollars of real estate and informal gree economy ;

- (v) facilitating the formalization of labour market, based on facilitative and non-penalizing reforms, based on ;
- (vi) improving public administration in local and national level.

Our people deserve governance from the heart and not governance based on fines and penalties, governance based on human respect and not on arrogance of abusive powers.

As a human being I feel pain for the consequences that covid-19 is producing, because based on the bitter historical conclusion even during and after the crises, the rich become richer and the poor poorer.

We need to break down donors' permanent self-justification that they are donating hundreds of millions of dollars to help poor countries.

Based on the large demographic deficit that developed countries will face, despite the advancement of AI and robotics, again new labor markets will be larger and they will require more workers and specialists from poor and developing countries.

From this point of view, grants and soft loans to poor countries in the field of public health, education and well-being of children, are a long-term investment for the quality of human capital that developed countries will "import" from poor and developing countries.

Crisis prevention is becoming more difficult and costly.

Improving public health, education, social protection and well-being requires leadership in politics and businesses and trillions of dollars in research, medicine, equipment and especially investing in scientific researchers and well-trained staff in the field of public health, education and well-being policy.

Covid-19 like any other crisis helps us predict, prevent and manage future crises more easily.

Einstein advises us that ““We can't solve problems by using the same kind of thinking we used when we created them””.

Panic and lockdowns are not our solution either.

Coexistence between pandemics and dynamic social and economic life will be the only and best option we must provide for our children, our families and our peoples.

Thank you!