



COVID-19: moments of truth and sources of controversy

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Abstract

Some promising areas of research into the effects of the coronavirus pandemic are outlined. Among them – reflection in the system of sanitary and epidemiological indicators and their numerical values of the characteristics of socio-economic systems; comparative analysis of discrete structural alternatives in the light of the choice of solutions to combat the pandemic and its consequences; adaptation effectiveness of institutions in the context of the relationship of micro- and meso-institutions.

Keywords

COVID-19, discrete structural alternatives, institutions, coronavirus pandemic

JEL codes: H12, I19, O17

Events of global significance that have not been predicted with high precision and to which humanity had not had a prepared answer, are the source of moments of truth and prolonged disputes when what had been hidden behind the veil of habitual and routine and also perceived as a constant for literally 2-3 months turns out to be a test for the strength of the established way of life. It is a wide range of issues, ranging from international relations and the global world order to the limits of health care capabilities in a given country, region or even a city, which bring doctors face to face with an ethical choice: whom to give a chance to recover by putting them on a ventilator, and whom not to give this chance.

Researchers from different disciplinary fields of science will be discussing the scale of what is happening and the depth of the impact on the emerging social relations for many years. For example, the controversy among economists over the causes and consequences of the Great Depression in the United States did not subside for decades after this episode in

the history of the world's leading economy. For economists, the discussion of the economic (and, in some cases, the socio- and politico-economic) aspects of the coronavirus pandemic is associated with an additional challenge, since its beginning almost coincided with the time of the harbingers of tectonic shifts in the world economy that are closely linked to the dramatic fall in oil prices, the impending global recession and possible global depression.

The severity of the test for the world civilization is due to the fact that in the absence of a virus-specific vaccine and the rapid spread of the virus around the world (which was neither in cases of Ebola, swine and avian influenza, despite a significant number of deaths, nor in cases of extremely dangerous but relatively rapidly localized episodes of anthrax, plague and cholera during the Soviet period after the Second World War), the question is increasingly clear: what can be acceptable compromises between the reduction of morbidity and mortality, on the one hand, and a decline in economic activity, on the other. Whether the decline in economic activity here and now is the price for it being able to be restored relatively quickly thereafter. And, if so, when and under what conditions? Who will assume responsibility for making decisions the consequences of which can be both salvatory and catastrophic?

In the framework of this article, we would like to identify a number of possible areas of study of the effects of the pandemic, which could be considered with a certain degree of conventionality as a natural experiment. What exactly is the experiment? It is a test of how different socio-economic systems (in terms of researchers applying the tools of the new institutional economic theory – of social orders (North et al. 2011) or societies with different relationship between the power of society and state (Acemoglu and Robinson 2019; Shastitko 2020)) around the world respond to the challenges posed by the spread of the virus and its consequences.

Since it is not only an evolutionary aspect of the response, but also very distinct decisions taken at various levels (global, inter-state, national, local, individual companies and enterprises), they should be designated specifically.

Indicator system

To quantify the speed and extent of coronavirus spread and its consequences, it is impossible to avoid using indicators, which we conventionally call medico-epidemic in this paper. These include: the total number of infected persons, the increase in the number of infected persons, the number of recovered and the number of deaths, as well as the fatality rates for closed cases (the total number of people who have recovered and died) and for the total number of infected persons. Of course, this list could be continued (inter alia, by including among the benchmarks the number of coronavirus tests performed).

Even at this level, despite the publication of the values of the same indicators for different countries and for the world as a whole, the question arises as to whether measurement methodologies are harmonized. If so, is harmonization reflected in the measurement and use of this information at the management decision-making level and in the public space? The way how the authorities of different countries approach to the work with medico-epidemic indicators can already point to the features of socio-economic systems, on the one hand, and to the ways to adapt to the changing conditions, on the other. In this paragraph, we can find a wide range of options from the open use of data explaining the methodology of quantitative estimates to the rigid rationalization of information in the area of the epidemi-

ological situation. In this context, of course, there is also a field for research for behavioural economists. In particular, is the question of how to collect, process and report information on the pandemic relevant with regards to the phenomenon of individual cognitive errors, since it affects everyone as a whole and each person individually. How is this information perceived by the mass consumer, the voter, on which the prospect of incumbent politicians to keep their positions in the future may depend?

Discrete structural alternatives

Multiple experiments – laboratory, field, natural – show that there have not been perfect institutions and, most importantly, there cannot be, which is directly related to the approach of one of the founders of the new institutional economic theory Ronald Coase, who pointed to the possibility of a positive study of public relations only in a world with positive transaction costs in various aspects of human relations (Coase 1988). This means that attempts to find an ideal solution to a problem will ultimately lead to deep frustration and significant losses. Post factum this may also lead to the problem of comparing imperfect and for many – unsatisfactory performance of the authorities with an alternative that could not have been implemented. Perhaps economic science could contribute to the discussion of the effects of the pandemic within the limits of decency as part of its lessons learned.

In this regard, a fundamental challenge to economic science is to find a way to discuss difficult compromises, when quite real (and to a certain extent – inevitable) human losses are at stake not only right now, but also afterwards, and not only from the virus, but also from many other side factors associated with the radical breakage of the existing lifestyle, actualization of the risks of exacerbation of many psychological problems, when the evolutionary built-in psychological protection of a person is destroyed simply because he or she had nowhere to escape from his or her problems (previously it could be a job, living communication with friends, trips to theatres and museums, travel).

The special drama of the situation, which is reflected in the way of writing of this article, is the time that is always scarce, but now it is simply not available to launch actual and at the same time fundamental economic studies that take into account parameters from different areas of knowledge and social relations (health care, law enforcement etc.) and that would enable becoming the basis for the adoption of important management decisions in the very near future. Without comprehensive studies based on comparative analysis of statistical accounting, health care systems, demographic structure, public administration and many other aspects it will of course be difficult to discuss, including the dramatic issue of the number of deaths per million of the population due to the pandemic, and then due to secondary effects in selected countries and regions of the world.

In future, when researchers and policymakers evaluate the results of the pandemic response, an important practical issue is a post-factum assessment of structural alternatives to the authorities' actions on a set corresponding to the Williamson's weak-form selection (Williamson 1985). Remember that the choice from exclusively available structural alternatives is meaningful. In Russia, for example, one of the forks is the choice of a sanitary-epidemiological regime. In one case, it may be a universal approach based on centralized decision-making on tightening the regime and, consequently, the political responsibility of the

central authority, which cannot but influence such an important component as the legitimacy of power (in both directions). In another case, general constraints are established, in which regions are given ample opportunities to select (and subsequently adjust) the most appropriate regime according to the evolving situation. In this case, one of the obvious questions is what will happen on the borders of regions if they choose highly differentiated regimes.

Adaptation capacity: micro- and meso-institutions

Of course, the adaptive capacities of society and national economies depend not only on what decisions the authorities make at national, regional and local levels and how they do it, but also, for example, on how an innumerable number of contracts are aligned for resources purchased by enterprises and for products (services and goods) that they sell not only to organizations of the private sector, but also to the State (in terms of participation in public procurement system).

It is almost impossible to cover even a small part of the aspects in which the problems of adaptation of the economy at the micro-institutional level could be discussed in a brief paper. However, one of the practical issues that imply theoretical considering in order to find applied solutions is the reflection of events which could actually be qualified as force majeure, in the design and implementation of incomplete contracts. However, life does not stop because of force majeure, which requires finding the options for a way out of the current situation. In some cases, it will be the termination of a contract, in others – temporary freeze on the implementation of mutual commitments, in the third – the restructuring of obligations with the modified regime of their implementation by switching the regime of contract performance or renegotiation etc.

In our view, the ingenuity of entrepreneurs in adapting to different situations – even the most dramatic – should not be underestimated. However, it can meet the rigid framework of meso-institutions (Ménard 2017; Ménard et al. 2018; Shastitko 2019), whose characteristics even in the pre-pandemic period were far from their best not only in Russia, but also in many other countries. And this issue is indeed a test for national systems of public administration, which will fully manifest itself in a post-pandemic world.

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