FISCAL POLICY AND ECONOMIC CHANGE DURING PERIOD OF PANDEMIC

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Abstract

The aim of the study is to reveal the effects of the ongoing fiscal and economic policies since the beginning of the pandemic (Covid-19) period in the world. In the study, first of all, fiscal and economic policies in extraordinary situations have been approached theoretically from a historical perspective then the changes caused by the health crisis in the world generally in the field of economy and finance were discussed. The deepening of structural problems with the effect of the pandemic and their emergence with the economic crisis and their effects on public expenditures especially health expenditures, to the public expenditures, economic growth, price stability and budget balance are discussed in detail in this study. In the analysis part of the study, a general evaluation was made based on concrete data, and examinations were included in the time series by making use of national and international reports. In the study, it was seen that countries across the world faced with an increase in public debt, increase in inflation and unemployment rates, a decrease in growth rates and capital outflows from countries during the crisis. As a country case study, in Turkey, as many countries, within the shade of Covid-19, in order to mitigate the economic impact of the crisis, some expansionary fiscal policies under the name of "Economic Stabilization Shield" were discussed. At the end of the study, the economic and financial policies recommended to be implemented during extraordinary periods in general and especially during the pandemic process are included.

Key words: *COVID-19, Fiscal Policy, Financial Support, Developing Countries, Economic Impact*.

JEL Classification: *H30, E44*

I. INTRODUCTION

The Covid-19 pandemic has fundamentally affected the way of life for the people all around the world. The fact that this effect led to the global health crisis, regardless of the healthy-sick, rich-poor, young-old distinction, has created a devastating multiplier effect on the world economy. The pandemic, which has shaken the economies of the countries to a great extent, has made life styles that adapt to the physical, face-to-face and environment at a limited level, such as social distance rules in living conditions, become an integral part of life. In this context, various measures have been taken in all aspects of life. As a result, health measures have manifested themselves in the constriction of economic activities. This effect has begun to make itself felt better at the end of 2020 and the beginning of 2021. Both countries and international bodies have tried to take quick and effective measures against the pandemic. However, the efficiency and inclusiveness of the measures taken were able to show itself in parallel to the financial power of the countries.

During the pandemic process, companies had to reconsider their organizations by temporarily closing their workplaces after the first shock or encouraging suitable personnel to work remotely, and developed different working alternatives. Thus, the effects of the uncertainties during the pandemic process were tried to be minimized. It was not thought by the pre-pandemic market economy that the method of working in pandemic times would come to the fore in order to use resources effectively and efficiently in the medium and long term. In the service industry cater to end user, many companies have tried to rebuild their businesses and revenue streams by taking measures to keep their customers and employees safe. Starting from the fact that pandemic periods have shaken the economic life, it should not be forgotten that this situation collectively was a human and public health crisis before and beyond its economic dimensions. Because it would not be a rational expectation to expect healthy economic conditions before health crises are resolved. Undoubtedly, policy recommendations in the form of further supporting the groups most affected by the pandemic have been developed in all economies. In addition, due to the decrease in income level, the real sector, the labor force working in the real sector and the effects of the whole economy deeply experiencing the pandemic were tried to be mitigated.

II. THE ORIGIN OF FISCAL POLICY AND OBJECTIVES AND TOOLS OF FISCAL POLICY

Until the twentieth century, the generally accepted view in the economic field is the classical economic approach that the state should provide very limited public services such as providing the financing of full public goods and services such as justice, diplomacy and security. According to this view, the level of tax collected by the state is to be taken at a low rate depending on the limited public service it offers and only for fiscal purposes, that is, to finance public expenditures. In this approach, which attaches importance to the balanced budget, it is the golden rule of the budget that it is not necessary to borrow except for extraordinary situations.

The classical approach continued its effect until the Great Depression 1929, but the devastation in the economies with the recession in this period prompted academicians and politicians to seek alternative economic approaches. John Maynard Keynes came to the rescue of the governments that were in trouble due to the classical approach as it is desperate in remedy to unemployment. In his book "*The General Theory of Employment, Interest and Money*", Keynes defended that the state should actively intervene in the economy in order to stimulate effective demand by going beyond the usual discourses and ideas.

Keynes argued that during the cyclical contraction and expansion periods of the economy, the state should concentrate sometimes on expansionary policies and sometimes on contractionary policies, thus demonstrating that when certain price instabilities such as deflation or inflation are encountered, these instabilities can be prevented by the active intervention of the state. This analysis of Keynes is not actually considered the rediscovery of the world. Because until that day, many economists mentioned about similar policies. However, as a result of the analysis made in the crisis environment, the revealing of this situation caused the star of Keynes "*who was in the right place at the right time*" to shine. The systematic analysis of this groundbreaking approach in the crisis environment, as a result of the systematic advocacy of state intervention, enabled this view to be the dominant view in economic life until the 1970s.

It is possible to say that fiscal policy emerged with Keynes in a modern view. Fiscal policy was born with Keynes and the state's intervention in the economic sphere will not be at a limited level as the Classics say, he also stated that the public expenditures made by the state or the taxes it collects can be used for economic and social purposes (extra fiscal) to fulfill a number of purposes. "To make changes in the amount and components of public expenditures and public revenues in order to achieve economic, social and political goals in a country."

Fiscal policy came out of economic policy and emerged as a component of economic policy. It is possible to divide the components of the economic policy into 3 as monetary policy, fiscal policy and foreign trade policy. Among these policies, the monetary policy expresses the ability of the Central Bank to reach economic and monetary targets by using components such as open market operations, rediscount rate, required reserve rate, interest rate. Foreign trade policy, on the other hand, refers to the achievement of foreign trade balance through tariffs, quotas and other means.

Fiscal policy, on the other hand, is an economic policy that enables the state to reach its goals by using components such as public revenues, budget, borrowing and public expenditures as a tool in order to realize some methods of market intervention. In this respect, it can be said that the Ministry of Treasury and Finance has more functions among the main actors of fiscal policy.

The objectives of the fiscal policy can be listed as ensuring efficiency in resource allocation, ensuring economic stability, ensuring income redistribution, and ensuring economic development and growth. Among these, ensuring efficiency in resource allocation is the appropriate distribution of scarce resources between the public sector and the private sector. In addition, it can be understood that there is efficiency in resource allocation if goods and services with positive externality are adequately produced and consumed. The fact that low-income groups benefit from these merit goods and services can be considered as an indication that resources are used in favor of those in need.

Economic growth can be defined briefly as the increase in national income compared to the previous year. The rightward shift of the production possibilities curve in basic economics lessons also means economic growth. Economic development includes economic growth as well as some social, cultural and technological developments. For example, the increase in the national income level from 100 billion TL to 150 billion TL in 2020 will be economic growth, while the 5% increase in the rate of literacy compared to the previous year will be considered an indicator of economic development. Again, high speed trains, subway, decrease in infant mortality rate, some developments in human rights, etc. can be considered as indicators of economic development.

Ensuring economic stability is divided into two: one is price stability, the other is full employment. While the absence of price fluctuations such as inflation, deflation and stagflation in a country indicates price stability, the absence of unemployment in the country other than the natural rate of unemployment is considered an indicator of full employment.

Providing justice in income distribution is to reduce the income gap between high income groups and low income groups in a country. With this purpose, which can be called as "*robin hood*" of the state, it is aimed to share the national income pie as fairly as possible.

Fiscal policy tools are public expenditures, public revenues, budget and borrowing. These tools must be used effectively by the state in order to achieve the above-mentioned objectives.

An increase or decrease in the amount of public expenditure will certainly affect the objectives of fiscal policy. However, what is meant by the instrument of fiscal policy is not only the increase or decrease in the amount of expenditures. However, changes in the types of expenditures are also a fiscal policy tool. For example, implementing an expansionary fiscal policy in order to prevent unemployment means increasing the amount of public expenditures. In addition, a change in policy, such as increasing subsidies to low income groups, is also considered as a fiscal policy tool.

Public revenues are some cash values obtained by the state based on the right of sovereignty or without relying on the right to sovereignty. Especially taxes are more important in public revenues. This is mainly due to the provision of a regular income to the state and the convenience of implementing policies. When using taxes in order to achieve fiscal policy objectives, it is not only what the tax rate will be, but also the ability to choose which type of tax will be easier to use in which economic conjuncture, that is, the ability to choose the tax type. In addition, increasing the share of some taxes included in tax revenues and decreasing the share of some taxes or determining and introducing new tax resources and the effective distribution of income sources between the central administration and local administrations also means the use of taxes as an instrument of fiscal policy.

Although public debt is seen as one of the financing methods used to cover the budget deficits of the state, it can also be used as a fiscal policy tool in order to fulfill a number of economic and social objectives. However, the issue here is not only about reducing and increasing the amount of the debt, but also the financial management of the debt, that is, who will receive the debt, how much will be received, what will be the maturity, and other issues that need to be decided by the managers. In addition, making a choice about what kind of debt instruments should be used in cases of instability such as inflation and deflation and whether the borrowed debt will be short or long term makes public borrowing an important pillar of fiscal policy.

The public budget can be equivalent or give a deficit or surplus. In order to achieve the fiscal policy objectives, deficit or excess budget policy can be implemented. When it comes to deficit policy, it is understood that public expenditures are above public revenues; with a surplus budget policy, it is understood that the public revenues are above the public expenditures. The use of these concepts, which are theoretically expressed in this way, during the implementation of fiscal policy is that they are in the form of budget deficit in periods of recession when expansionary policies are applied, and in the form of budget surplus in expansion periods when contractionary policies are implemented.

III. FISCAL POLICIES APPLIED IN EXTRAORDINARY/EMERGENCY SITUATIONS (PUBLIC EXPENDITURE AND INCOME POLICIES

In extraordinary situations, views on fiscal policy concentrate more on public expenditure and public revenue policies. Although there are many approaches to a greater increase in public spending in emergency situations, it can be said that the Peacock-Wiseman Displacement thesis has spread more than other views and is more acceptable among academia. Therefore, in this part of the study, information about the Peacock-Wiseman Displacement thesis will be given.

Wagner's thesis that public expenditures are constantly increasing due to the rise in public services cannot reveal the reasons for the changes in public expenditures in a short period, but proves that public expenditures tend to increase continuously in a long period. On the other hand, the reasons for the rise in public expenditures in the long term as well as the increase in the short periodic periods are as important as long-term analyzes and the reasons should be examined. T.Peacock-J. Wiseman’s Displacement theory is the first well-rounded study trying to reveal the reason for the upward trend in public expenditures that varied in a certain period of time (Edizdoğan, 2019: 58).

Peacock and Wiseman dealt with the rise in public expenditures in their research between 1890-1950 in England. After examining the reasons for the rise in this period, they came to the conclusion that in extraordinary periods such as war, public expenditures increase by leaps and bounds. While the public expenditure level was expected to recede towards the pre-war period when the war was over, they proved that this did not happen. According to Peacock and Wiseman, the rise in public expenditures is clear when the conditions of war end. Therefore, the name of this thesis was referred to as "Displacement Effect" (Nadaroğlu, 1996: 145).

The reason for the continuation of the increase here may be the amounts spent for the repair of the buildings destroyed after the war and the war reparations paid by the defeated states. In other words, according to the displacement effect; it is possible to establish a strong relationship between public expenditures and public revenues. Especially during emergency times, the tax revenues collected by the government in line with the political decisions taken by the government necessarily increase. Because governments that make extraordinary public expenditures in emergency times want to raise their tax rates to a higher level in order to meet these expenses. This situation causes a decrease in the public's reaction to the high tax rate. Therefore, it can be said that the state has accustomed its people to collecting taxes from the public at a known level and rate even under difficult conditions. After the emergency conditions such as war, earthquake and epidemic are over, the government receives high taxes after the rise in the demand for service of the people. The main reason is the unresponsiveness of public to the tax. As a matter of fact, in emergency period, citizens are in a position to bear high tax burden. Because, when an emergency period occurs, the general tendency of the people about the tax burden is more positive compared to the usual terms. Therefore, people consider the high tax burden more tolerable in these periods. It is thought that individuals who are accustomed to high tax rates may gain resistance to the tax burden in an ordinary situation and cause them to show the high tax rate by demanding more services (Akbulut, 1993: 247).

Usually, emergency periods such as wartime are explained as periods in which public expenditures increase by leaps. In times of peace, public expenditures do not decrease and continue to increase. In other words, it is observed that public expenditures did not return to their previous level in the following years after the war. Figure 1 shows the public and private expenditure trends in the war period and the post-war period.

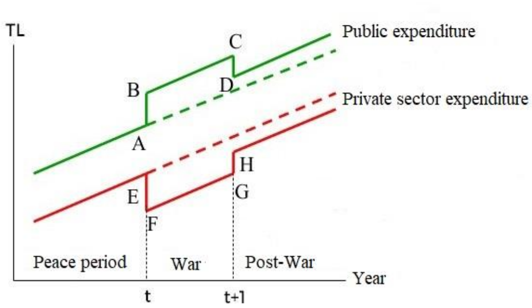

Figure 1. Public and Private Expenditure Levels in the War and Post-War Periods

Source: (Edizdogan et al. 2019:61)

In figure 1; war expenses cause decrease in the private sector expenses. After the war, private sector expenses increased again and closed the gap. Moreover, the rise in private sector expenditures after the war creates an obstacle for the total expenses to return to the period before the war started. The fact that the taxpayers consent to the high tax burden with the war and understand this rate may cause the public to continue its activities in areas that are considered under the responsibility of the private sector after the war or in other areas that have emerged after the war. As an example, with the start of some investments, public expenditures increase again, some may not started yet or started but not fully finished. It is possible to complete the investments by providing the capital required for some infrastructure services that are not operational (such as sewage, natural gas, transportation, etc.) thanks to the high tax rates and high tax revenues. Since the expenses for defense are decreasing, the upward trend in expenses continues with the spending of the obtained resources for the financing of special types of services (Musgrave&Musgrave,1976: 7).

When the developments in public finance during the pandemic process are examined carefully, it is possible to obtain information about the general structural transformation. It can be said that from the perspective of fiscal policy, governments focus more on expansionary policies in combating cyclical recession and are trying to alleviate the contracting economic crisis, as the pandemic epidemic throughout the world has caused stagnation on the economies of the country. For this reason, governments have tried to implement a number of similar income and expenditure policies, respectively, by making increases in public expenditures and decreasing tax rates and amounts through expansionary fiscal policies. Among the types of public expenditures implemented by governments, there are especially economic, social and financial transfer expenditures and legal supportive regulations applied to individuals and companies. During the pandemic process, individuals had problems in obtaining the necessary income for consumption, and companies in finding resources or capital to expand and develop their business volumes. Governments have implemented economic and financial methods and measures to eliminate these problems. Thanks to these measures, it is aimed to overcome the economic and financial crises caused by the epidemic, to let companies breathe, to give them time for recovery, and to activate the wheels in economic life. During the recession-related crisis periods, efforts have been made to reduce or, if possible, eliminate the negativities caused by the cash shrinkage of middle-income people and medium-sized enterprises, which are high in the population of countries during the pandemic period. In addition, in order to improve the income distribution imbalance, which deteriorated further during the pandemic period, some financial balancing aids were also included (Firat, 2020: 218-219).

During the pandemic period, states have some duties in terms of fiscal policy. While the first of these is to prevent economic instability, another aim is to balance the income distribution imbalance, which was disrupted by the increase of individuals who lost their jobs and lost income with the pandemic. However, sometimes it is necessary to compromise the income distribution balance in order to resolve the economic instability. This is actually a matter of what purpose governments prioritize or should give in their fiscal policies. Naming it in the fiscal literature is a conflict of purpose and tools. However, considering the issue in terms of pandemic process conditions, the work of governments has become more difficult. Because it was necessary to make urgent efforts to expand the economy, which was seriously shrinking, and to provide the minimum support to those who had great difficulty in sustaining their lives with the situation caused by the crisis. Achieving success in terms of fiscal policy under these conditions is of course related to the state systems included in the laws as well as the development levels of the countries and their resources. In countries that have the social state principle in their laws and have to apply it, individuals expect more help and support from the government, and this put the governments in trouble.

Since the pandemic process has been complicated from the beginning, it has been more difficult to control whether the aid given is going to the right people or not. As such, it has been debatable from time to time to what extent economic subsidies and social aid expenditures made by the state play a balancing role in income distribution. As a matter of fact, the fact that a number of nepotistic aids for large-scale enterprises are made by taking political rent into consideration further disrupts the income distribution balance. Another issue that needs to be addressed in public expenditures is that some investments that started before the pandemic process or whose contracts were made before (especially infrastructure expenditures) could not be left incomplete, and resources for such expenditures should continue to be allocated. This issue also created an element of financial pressure on governments, and some projects continued to be implemented.

In emergency period, an expected decline is realized in the tax revenues collected by the states due to the recession. It can be said that two different factors are particularly effective in this. The first of these is the decrease in expenditure and earnings tax revenues as a result of the decrease in consumption and profit due to the reduction of expenditures by individuals in extraordinary periods and the reduction of production volumes by companies. The loss in the tax revenue of the state due to the closure of many workplaces during the epidemic period can be explained as follows. While the state receives both income and corporate tax from earnings from previously employed workplaces, it has not been able to collect taxes with the inclusion of the workplace. In addition, individuals who previously worked in these workplaces were paying tax on wage income before the workplace was closed, but they could not pay tax on wage after the business was closed. Another issue is that during the pandemic process, the state generally changes some tax practices in order to economically relieve individuals and businesses. For example, amnesties for some taxes, extension of tax returns and payment periods, installments in taxation, widening of exemptions and exceptions of some taxes, and tax reductions can be cited as examples of these practices. Such practices, which we call tax expenditures in general, reduce the amount of tax to be paid by eroding the tax base and sometimes create a taxation effect due to the prolongation of the collection process, resulting in a real meltdown of tax revenues and thus a decrease in tax collection (Koc and Yardimcioglu, 2020: 143).

Although the general practice of governments during emergency period is tax conveniences, as explained in the displacement thesis above, states also resort to practices such as collecting taxes from sources they did not previously receiving or increasing the rates of certain taxes in order to finance extraordinary expenses incurred in emergency periods (usually luxury goods and services. received over). When the emergency period ends, these practices, which were initially taken under the name of temporary tax, become permanent. Indeed, it has been seen in Turkey case. In the 1999 Great Marmara earthquake, the private communication tax, known as the solidarity tax, which was claimed to be brought once in order to finance the emergency, became one of the usual income sources of the state (Güneş and Arslan, 2021: 234).

As a matter of fact, during the pandemic process, the expenditure side of the budget increased due to the ongoing payments due to the social aids made by the state and the guarantees given in the previous periods, while the expenditure side of the budget increased, while on the other hand, the revenue side of the budget decreased due to tax peace, convenience and decreases. This situation led to an increase in the budget deficit. The state has to either print money, borrow money or create new financial resources in order to finance the budget deficit. Since borrowing imposes a burden on future generations with its interest, governments may prefer to print money instead of borrowing. However, since the implementation of an expansionary fiscal policy due to the epidemic has an inflationary effect, the printing of money causes this effect to be felt more on individuals. For this reason, states are applying new tax and raise practices under different names in order to narrow the increasing budget deficit. As a matter of fact, while the pandemic period continued, the special communication tax rate was increased from 7.5 to 10%. Again, it has been considered to increase the wealth tax rates once. In fact, an increase in wealth taxes, which is not even 4% in total tax revenues, can be seen as logical in terms of both fairness in taxation and low-cost income generation. However, it should be taken into consideration that this situation may create a substitution effect on individuals and companies in the future. In addition, considering that the taxpayers who pay the special communication tax also pay VAT, the increase of the total tax burden to 28% may have a negative effect on the taxpayers in general and on the income distribution in particular. Governments aiming to contribute to the provision of social justice by offering equal opportunities in education may experience some problems in accessing the internet with the increasing cost of internet-based education, which became widespread during the pandemic. This situation negatively affects social justice.

While the pandemic process continued, most countries tried to implement financial measures and supports as a short-term policy tool (OECD, 2020). It is possible to list these policies with their general features in Table 1 below:

Table 1: General Financial Incentives and Measures Implemented in Countries During the Pandemic Period

- Measures taken to increase and accelerate the cash flow and business volume
-Direct income support to increase household income
Tax incentives based on increasing support for companies
-Tax incentives based on increasing investment
-Tax incentives based on preventing unemployment
- Incentive policies for the health system
-Other tax policy measures
-Other cash transfers
-Other non-tax measures
***Source**: Yardımcıoğlu and Koç,2020: 134.*

IV. HEALTH CRISIS AND ITS ECONOMIC EFFECTS DURING PANDEMIC PERIOD

While individuals are expected to comply with mask, distance and hygiene rules in the process of managing the Covid-19 global health crisis, which started in 2020 and is still in effect in the period when this article was written, it can be said that states have gone through a difficult management process. In many countries, pre-crisis structural problems deepened after the crisis and brought about a period in which both political and governmental risks increased. It has been revealed that the disease causes irreversible physical damage to human health. In addition, it is a great chance that it can be overcome without encountering deeper mental and mental problems in human health in the medium and long term. Because these problems will continue to increase if individuals do not feel the support of the state behind them without worrying about the future and quickly overcome the difficult process and are not ready for the workforce that will be needed during the recovery period. For this reason, alongside the states declaring that they can take the pandemic under control and provide effective healthcare services equally and rapidly for every citizen, taking concrete steps such as vaccine supply and showing solutions to the problems will increase the trust in the state mechanism from the perspective of individuals. Increased trust in the state will be the supportive power that the people, who feel behind their support socially and economically, expect to reduce the impact of this crisis due to life-health to some extent. In addition, during the pandemic process, states generally made additional payments and supports to their citizens under the following headings.

Unemployment insurance support payments: Some funds were available to make the necessary and sufficient payments in cases of unemployment. However, as the economic impact of the pandemic goes beyond these predictions, it has become a necessity to make unemployment insurance or fund payments that will cover all employees and laborers, even if it is not included in this scope. In addition, short work allowance payments can also be evaluated within this scope, for sectors that are exempted during full closing periods or for employees who do not have a full-time employment status during semi-closing periods. Postponement or deletion of government receivables (tax, premium, insurance, etc.): While this is the case for employees, it is necessary to provide similar support for employers, and primarily deletion of tax, insurance, premium payments are practices aimed at minimizing the destructive effects of the pandemic. Beyond that, as seen in many developed countries, companies are kept alive with support items such as rent support. These payment amounts are directly proportional to the soundness of the financial structures of the states. From a broader perspective, the government spending and support made so far during the Covid-19 pandemic has been far above those made in the global financial crisis of 2008-2009. This, in itself, is another indication of how difficult the destructive effects of the pandemic are.

The need for support for companies and households continued after the initial shocks and impacts of the pandemic wore off. While some employees could return to their workplaces, some businesses could not continue their commercial activities, so the need for economic support and leverage was provided by the businesses, but this effect was sometimes inconclusive, so workplace closures were encountered in the economic system.

Certainly, downside, negative risks to the economy remain and it is possible that unexpected situations related to the crisis will arise. However, so far, we can say that the results of the fiscal and monetary policies implemented during the epidemic are directly proportional to the size of the financial aid. It has been observed that the size of financial assistance in underdeveloped or developing countries is directly proportional to the resources of the country. It would not be wrong to say that the effect of the aforementioned aids in managing the pandemic process is also so important.

V. COVID-19 CRISIS DEMAND AND SUPPLY SHOCK RELATIONSHIP FROM ECONOMIC PERSPECTIVE

The pandemic caused great shocks both on the supply and demand sides in all markets. It is possible to react adequately and adequately to the economic crisis caused by the pandemic by fully understanding the shocks. In this context, it can be said that the pandemic process causes both supply and demand shocks in economies.

Demand shocks mean unwillingness and inability to spend or invest (del Rio-Chanona et al., 2020: 107). Under these circumstances, businesses lose their income, close down, and the production level is negatively affected. Thus, companies have to lay off their employees. When supply shocks are experienced, the output generation capacity of an economy decreases (Gambetti and Musso, 2017: 765). When a firm becomes economically bankrupt, even if physical capital and human capital are preserved, the loss of labor by market value would be more devastating for economic systems. Because the value of labor gets stronger with time and experience. It is a set of rules and conventions that encourage agents to create value. https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201124~bcaebee7c0.en.html (Access Date: 19.02.2021). Setting up firms and negotiating contracts is costly, and saving firms that go bankrupt doesn't happen overnight. Moreover, as a recent article on the pandemic suggests, the supply shock can turn into a demand shock at any moment. https://www.g20-insights.org/policy_briefs/monetary-policies-strategies-and-the-covid-19-crisis-2/ (Access date: 21.02.2021).

This is why the two types of shocks are linked but not the same. In the process of Covid-19, we can say that demand shock is accompanied by supply shock, and on the demand side, people have settled the habit of being more cautious about shopping, dining and traveling, and therefore spend less on these activities. On the other hand, governments have had to impose restrictions on commercial activities that could be considered a temporary suspension of production, even for customers demanding goods and services.

Table 2: Change in inflation increase in the world economy for the period 2002-2019 (%)

Countries	Developed Countries	Emerging Countries
2002-2011	2,0	6,5
2012	2,0	5,8
2013	1,4	5,5
2014	1,4	4,7
2015	0,3	4,7
2016	0,8	4,3
2017	1,7	4,3
2018	2,0	4,8
2019	1,4	5,0
2020*	0,5	4,6
2021*	1,5	4,5
***Source**: IMF, World Economic Outlook, 2020; Fırat, 2020:2011.*		

** The figures for 2020 and 2021 show expectations.*

When Table 2 is examined, the expansion policies made in order to prevent the stagnation experienced during the pandemic process have turned into another economic instability, in other words, high inflation.

Obstacles caused by the pandemic in Turkey's economy and their start or end point is not possible to identify exactly. Turkey's economy after the 2008 crisis, unemployment, inflation, and current account deficit and remained confronted with complex structural issues such as public finance. In the current economic conjuncture, fiscal policy tools have been used in order to alleviate the problems with the pandemic effect. In Turkey, between the dates of March 23 and April 20, 2020 it said that some financial support applications come forward. https://tobb.org.tr/Sayfalar/20200323-covid-destegi.php (Access Date: 20.01.2021). After the announcement of these policy packages, the budget deficit on the public finance side increased especially as of April. The reason for this is the increase in the expense item and the decrease in tax revenues.

In the second quarter of 2020, together with the effects of the pandemic in the global economy to a standstill until the arrival of the slowdown in economic activity at the same time covers every sector forecast of the largest stimulus packages it has increased in Turkey. The financial size of the support packages announced in 2020 reached approximately 100 billion TL. 75 billion TL of this amount is reserved for fiscal policies. (1.5% of GDP - 25 billion TL of planned gross domestic product), (0.5% of GDP - to the increase of the Credit Guarantee Fund limit). https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19 (Access Date: 01.03.2021). The total amount of support expressed for Turkey's economy that seems to be low compared with the size of Germany. Considered one of the countries that managed the COVID 19 crisis well, Germany corresponds to this support amount of 4.9% of its GDP.

Table 3: GDP Growth Change in the World Economy for the Period 2002-2019 (%)

Countries	**World**	**Developed Countries**	**Emerging Countries**
2002-2011	4.1	2,0	6,5
2012	3,5	2,0	5,3
2013	3,5	1,4	5,1
2014	3,6	1,4	4,7
2015	3,5	0,3	4,3
2016	3,4	0,8	4,6
2017	3,9	1,7	4,8
2018	3,6	2,0	4,5
2019	2,9	1,4	3,7
2020	-3,0	0,5	-1,0
2021*	5,8	1,5	6,6
Source: IMF, World Economic Outlook, 2020; Fırat, 2020:2011.			

* The figures for 2020 and 2021 show expectations.

When Table 3 is examined, the decrease in GDP and the increase in inflation along with the pandemic period increased the instability in the economies.

VI. ECONOMIC POLICY OPTIONS IN COVID-19 PERIOD

Macro-economic policy is often considered as demand stabilizer: facilitating access to short-term funds and / or higher aggregate spending can help overcome demand scarcity. However, given that in pandemic shock, many businesses are prohibited from operating as usual, it can be thought that directly stimulating demand may not be an accurate fiscal policy tool. [1]

[1] St Louis Fed https://www.bruegel.org/2020/11/monetary-policy-in-the-time-of-covid-19-or-how-uncertainty-is-here-to-stay/ (Access Date: 15.02.2021).

According to a calculation by economists, most of the downward activity measured in various sectors is due to supply constraints. The exceptions were found to be entertainment and accommodation services. The new direction of COVID-19 economic policy is that governments should provide financial assistance to firms and individuals as well as prohibit them from engaging in economic activity. Financial aid aimed to keep everyone afloat in the toughest months, avoiding mass bankruptcies of firms and severe poverty. Developed countries have become very active in offering programs to firms, from cheap credit lines to direct support. Individuals also received direct transfers from governments. These types of financial transfers stand out as a more applied policy method for developing countries. The economic cost of such policies is very high. Therefore, it is more difficult to implement for less developed or developing countries. In the USA alone, where all these policies are in effect, the total aid bill is US $ 3 trillion, or about 15% of US GDP (Moos, 2021: 4). Among the most important actions of the US government in the pandemic process, it is possible to cite The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which covers large tax returns, direct transfers to individuals, transfers to local governments, and loans to businesses. The USA has also committed USD 50 billion to international aid (Mc Guire et al., 2021: 35).

Developed and developing economies faced different challenges in order to prevent the shock effect in the value chains of the global economy from growing with structural problems that spread over the years. In other words, while fiscal policy instruments in some countries put forward stronger policies to improve the recession on the demand side of the economic cycle, some economies took different measures with incentives and supports to prevent the contraction on the supply side.

All the measures taken by means of the fiscal policy have positively affected the economic system and indirectly the health system. Unfortunately, the economic consequences of the Covid-19 crisis were not felt equally among countries. Within each country, it stands out as an undesirable situation for the poorest households. Moreover, the capacity of poorer countries to sustain their citizens and companies is weaker than rich countries such as the USA or European countries. Therefore, there are three reasons why developing and low-income countries have difficulty helping citizens during the epidemic:

The first reason is economies of scale. Poverty rates are much higher in developing countries. Therefore, there are many more people who need help. The COVID shock has endangered the livelihoods of the population in many parts of the world, especially in wealthy nations. In theory, prohibiting economic activity would mean depriving tens of millions of people of insufficient income. (https://www.artnotlari.com/blog/strongcovid19da para-politikas-mdahaleleristrong (Date of Access: 05.02.2021). Second, in developing countries, as well as in developed countries, in many sectors, types of work cannot be done at home. In these countries, the working method described as "home office" is seen as a less preferred option.

The third reason is poor public finances. Developing and low-income countries have tried to increase government revenues to combat a crisis of this magnitude, partly due to informality and, in many cases, worsening of the pre-covid financial situation. Moreover, developing countries rely on indirect taxation such as VAT. Moreover, the disruptive and regressive qualities of this financial structure are obvious. This process negatively affects economic growth and firm growth with tax increases. In pandemic processes, wealthier countries seem to do more than developing and low-middle-income countries in terms of financial assistance to individuals or businesses. Figure 1 reflects the higher ability of richer countries to support their economies and citizens by relying on a developed welfare system and low informality. In fact, most developing and low-income countries have enacted aid policies, but are not necessarily related to taxes, such as purchases in kind and payment of electricity bills. Another difference between rich and poor countries has to do with the type of policy tool used to get money to companies and individuals. In richer countries such as the USA, much of the aid has developed in the form of loans and guarantees. This means that the government uses the banking system to help firms survive, for example by recommending subsidized credit lines. Here again, wealthy nations have benefited from the existence of well-established networks and almost the entire economy connected to the banking system, while developing and low-middle-income countries have once again had to deal with the shortcomings of informality.

Figure 2 below is based on a report published in May regarding the fiscal and fiscal measures taken by the IMF during the pandemic. This report clearly shows that most of the aid is loans, guarantees and equity.(https://www.imf.org/en/Publications/FM/Issues/2021/01/20/fiscal-monitor-update-january-2021 (Date of access: 01.01.2021).

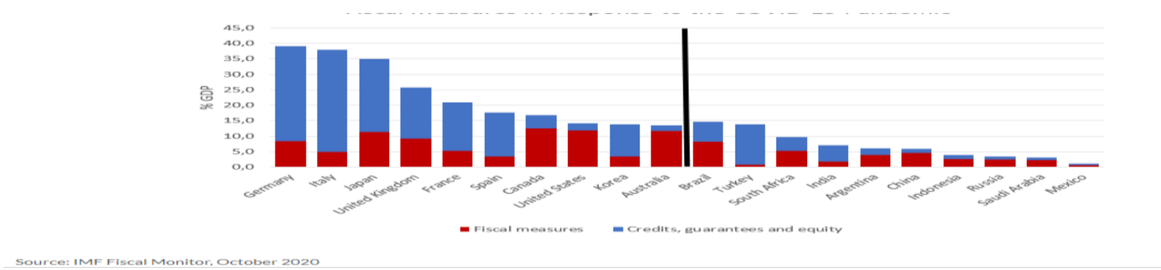

Figure 2. Magnitude of Financial Measures during the pandemic period

VII. CONCLUSION

The COVID-19 pandemic turned upside-down the balances in the use of monetary and fiscal policies in the world economies. The system which was shocked by the global supply chain, together with quarantine and social distancing, there was a a significant reduction in labor supply worldwide. In the 2008 crisis, the supply shock was effective only in the financial world. However, the impact of this global epidemic, namely the supply shock caused by war or natural disasters, continues to cause the destruction of infrastructure and the loss of permanent and large-scale workforce. On the demand side, the uncertainty that the disease does not go away and various rumors of mutation, the possible inefficiency in support policies cause temporary workers to lose jobs and income, especially in the affected sectors, and the saving behavior of the households on the consumption side is causing a change in private sector investments. As a result of the decrease in demand, it is inevitable that companies will go bankrupt due to the lack of liquidity and cash flow.

Financing budget deficits with debt, especially in developing economies, confronts economies with increasing the share of interest expenditures in the budget. Unfortunately, the damage to the sustainability principle in public debt triggers macroeconomic vulnerabilities. Ideally, it would be desirable to pay a primary surplus in budget management, but this would not go beyond the public authority's desire to increase public revenues by increasing tax revenues. In this context, the complex and multi-component structure of the economy (producers, consumers, employees, and banks) and structural / cyclical conditions should be taken into consideration. Decisions that seem rational on the individual can go into a catastrophic chain reaction. For example, when we look at some countries; Countries such as the USA and the UK have high borrowing credibility without posing a major economic risk to the state. However, there is an obligation to act in coordination with central banks. Italy does not have such a credibility and independent central bank. This is not only a problem for Italy, it is a common problem of the EU. While Italy is supported by the EU, methods under the name of coronavirus fund are among the options in coordinating government borrowing. All of these require the European Central Bank (ECB) to intervene in the money supply in some way. The ECB and the FED announced programs worth € 750 billion and $ 700 billion based on the purchase of corporate debt until the end of COVID-19. For this reason, the crowding out effect of the public sector should be eliminated by reducing negative externalities in terms of health and economy. Households and markets should be trusted by implementing sustainable policies in a way that supports each other from budget and monetary policy intervention tools.

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