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Coronavirus, economy and polity

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The European Trade Union Confederation has reported that at least one million workers have lost their jobs in the Europe during the past two weeks. This figure has been dubbed the tip of the iceberg as it only includes contract workers who have applied for unemployment benefits.

At a global level, a few days ago the International Labour Organisation reported that potential job openings worldwide could amount to 36 million.

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Amid economic uncertainty various governments are resorting to massive public spending increases to help manage the risks at stake.

The Government of Malta has so far provided economic and financial packages which provide liquidity and direct support especially to the sectors considered to be impacted most negatively by the Coronavirus crisis.

The package which provides direct support to 60,000 private sector workers was supported by all members of the Malta Council for Economic and Social Development. It will be in place for three months, though future adjustments have not been excluded by government.

So far so good, only that many participants in Malta's economy are not included in this package. The Nationalist Party Opposition has pointed out that 104,000 workers within the private sector and 18,000 self-employed individuals have been excluded from it. The PN has also presented a number of proposals to help make up for the economic burden of coronavirus, including reduction of water and electricity bills. It however transpired that the Labour Government's energy reform, including the privatisation of Enemalta facilities gives it less freedom to do this. As is the case with the controversial privatisation of health facilities, Malta is learning that such policy decisions which form part of Joseph Muscat's legacy come at a cost.

In the meantime, Finance Minister Edward Scicluna is predicting a decrease of Malta's Gross Domestic Product by 10 percentage points, adding that Government's 2020 budget, which exceeds, €5 billion has been rendered irrelevant, thus requiring a supplementary budget and quarterly predictions.

open interview with Times of Malta, the Minister highlighted the complexity of introducing policies .0 000 workers and 60 000 companies. As he put it the best thing to do is to adopt a sec

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package. This is our estimate. It will come from various sources”.

Consequently, this week Parliament authorised the government to take out a €2 billion loan, to help make out of for forthcoming deficit budgeting, which includes a government projection of €700 million increase in expenditure, and a €300 million decrease in revenue.

In the meantime, as part of the EU coronavirus package, the European Central Bank is ready to buy €750 billion in public and private-sector securities which can be used in a flexible way. EU Finance Ministers agreed to allow countries facing troubles to borrow up to 2 per cent of the gross domestic product from the European Stability Mechanism and to suspend tough rules on public deficits, thus giving member states more flexible options in their spending programmes. Access to this fund is usually conditional on tough economic reform, but ESM chief Klaus Regling was quoted by the Financial Times as saying that the mechanism would only have limited conditions, such as commitment to spend funds only in relation to coronavirus and its economic impacts.

However, nine EU member states, namely Italy, Spain, France, Belgium, Luxembourg, Portugal, Greece, Slovenia and Ireland are calling for an immediate Eurobond (or Coronabond) facility, whereby debt would be shared by all EU member states and would allow all countries, even the hardest hit, to borrow at low interest rates to finance economic, social and health expenditure. In this regard, Italian Prime Minister Conte has called for "a great European Recovery and Reinvestment Plan, that would support the entire European economy."

Critics of Eurobonds argue that the EU would have to generate new fiscal revenue to make up for expenditure by countries which are less prudent in their national budgets. More fiscally conservative countries including Germany, Netherlands, Austria and Finland disagree with the Eurobond proposal, preferring that the European Stability Mechanism is used. Malta seems to prefer this option.

EU Commission President Ursula von der Leyen is calling for a stimulus package “that will guarantee the Union's cohesion through solidarity and responsibility”. She is urging a strong response to this, as in her words Europe is in a 'fight for its life'. She criticised those EU member states which withdrew from the single market for example by stopping the export of medical equipment.

As the debate proceeds, one hopes that in this extraordinary situation, a politics of persuasion and deliberation emerges triumphant within the EU in upcoming decisions, rather than ideological straitjackets and impositions. This requires compromise between different blocs and interests within the European Union. Otherwise, alienation from the bloc due to perceived factors such as lack of solidarity could be on the increase.

Similarly, in Malta, Government's economic and social package requires improvement, albeit within real constraints and risks. Here again, I appeal for a more deliberative approach involving Government, the Opposition, the social partners at MCESD, civil society as defined broadly, and experts. A representative and evidence-based think tank methodology can help foster a sense of opening and consensual policies and communications in the invisible war we are experiencing

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less socially included and integrated than others.

As a small island EU-member state we are in a relatively fortunate situation compared with countries that have weaker economies and health care systems and more precarious social realities. The World Health Organisation has praised Government's methods in the health aspect of the war against coronavirus. Let us do our best to excel in the economic and social aspects, both nationally and within EU institutions. In both instances, deliberation, compromise and evidence-based recommendations should be sought for.

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