

Rationality of China's Policies Response to COVID-19

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ABSTRACT

COVID-19 continues to spread all over the world, and governments of various countries have also adopted different epidemic prevention measures. Among them, the Chinese government's anti-epidemic policy is worthy of attention. This article mainly studies the rationality of The Policies of the Chinese government during the epidemic period by means of field visits, government work reports and news collection. From the perspective of COVID-19's Impact on China's Economy, Measures Taken by the Chinese Government, Future Direction, Conclusion, The result is that the policies of the Chinese government are very reasonable.

Keywords: policies, economic, COVID-19

1. INTRODUCTION

COVID-19 broke out in January 2020, catching everyone off guard, and then spread rapidly due to the mass movement of people during the Spring Festival. As an unprecedented public health emergency that the country has suffered from since the founding of the People's Republic of China, the pandemic has the fastest spreading speed, the largest scope of infection and the greatest difficulty in prevention and control, posing a huge impact on people's lives and economic development. Faced with the disruption of the market economy resulting from COVID-19, the Chinese government rose to the challenge rather than flinching away. The best efforts have been made to promote economic recovery while ensuring the health and safety of the nation. This article researches the rationality of China's policies response to COVID-19, tries to find how and why China can do well in the COVID-19 and shows what lessons can other countries learn to fight against COVID-19 from these policies.

2. COVID-19'S IMPACT ON CHINA'S ECONOMY

In January 2020, COVID-19 caught everyone by surprise. The large-scale movement of people across the country during the Chinese Spring Festival accelerated the spread of the epidemic, severely threatening people's safety and the country's economic development. With the fastest spreading speed, the largest range of infection and the greatest difficulty in prevention, COVID-19

marks a major public health emergency event since 1949. In the short term, as personnel flow slumps, the performance of various industries would be affected, namely, transportation, retail, hotel and tourism, catering, consumption, warehousing, postal, real estate and construction[1]. In the long run, if the epidemic is not effectively controlled, it would be difficult to improve the growth rate of economy and reduce the unemployment rate for a long time, which would thereby affect investment behaviors as investors' confidence and expectations for domestic market get undermined. After the outbreak of the epidemic, the Chinese government has made rapid response in taking multi-faceted measures to curb the spread of the epidemic[2].

2.1. Impact on the macro economy

After the outbreak of COVID-19, market demands and production capacity dropped sharply, exerting significant impact on investment, consumption and export and leading to a temporary rise in unemployment and price of commodities. On the demand side, in order to keep the epidemic under control, large-scale personnel flow and gathering should be avoided and suspected cases should be isolated, which greatly reduced the consumption demand and led to the delay in resumption of manufacturing, suspension of operation of businesses and the short-term stagnation of the manufacturing industry, real-estate industry and infrastructure investment after working returning to cities. On the supply side, circulation of production

elements, including raw materials and labor force, was hindered, and such normal operation activities as logistics, production, sales and remittance was severely interfered, making shutdown of operation and manufacturing of enterprise an inevitable trend[3]. Service industries, including tourism, transportation, catering and accommodation, and entertainment, were hit by the epidemic more persistently, and it would a longer time for them to recover. Other adverse impacts of the epidemic include insufficient production of consumer goods, interruption of road logistics in some areas, insufficient supply and rise in goods prices as a result of panic buying. For example, the impact of reduced downstream demand in China after March and beyond will be felt gradually. Metallurgical Industry Planning and Research Institute forecasted annual iron production will be 745 million tons, That's down 8 percent from a year ago.

2.2. Impact on individuals

Different individuals suffer different from the epidemic. When it comes to the degree of impact, compared with state-owned enterprises, established enterprises and formal employees, private enterprises, small and micro enterprises and migrant workers suffer more. Shutdown of production and business interrupts income and cash flow. However, rent, interest and other expenses still need to be paid, which would bring huge losses to enterprises. Besides, the shutdown of operation may lead to a breach of contracts and difficulty in capital turnover. Some small, medium and micro enterprises with weaker risk resistance capability would even face the risk of bankruptcy[4]. Moreover, the risks would also spread horizontally and vertically along the supply chain and guarantee chain, triggering greater crisis. Many small restaurants went out of business.

3. MEASURES TAKEN BY THE CHINESE GOVERNMENT

3.1. Short-term Measures

(1) In the early days since the outbreak of the epidemic, masks became a necessity all of a sudden and finally became "Giffen Good" as both the demands and price increase. To cope with such situation, Chinese government called for increasing production line of masks and restriction on purchase and price, which stabilized the market and helped the country tide over the most difficult period smoothly.

(2) The government also encouraged people to work at home and attend classes at home. The fact has shown that though people were asked to stay at home and reduce travel and social interaction, employees of most companies worked at home, not imposing a single influence on their work. Besides, employees from

various sectors, for example, medical staff, were not isolated at home, but had to devote into their heavy-duty work[5]. Although it was almost impossible for some industries (i.e., catering, tourism) to maintain normal operation, many other industries, including medical and health, pharmaceuticals, network-related, logistics and express delivery, community service, etc., were extremely active; basic industries like power supply, water supply, and gas supply strived to ensure supply without suspension of work and production; companies providing medical protective products (i.e. masks), manufacturing relevant devices and participating in anti-epidemic facility construction (i.e. hospital construction unit) was engaged in high-density production and construction.

(3) Chinese government has also introduced fiscal policies to increase tax cuts and expenditures, including: increasing support for small and micro enterprises; reducing, exempting and lowering social security payment rates; reducing and exempting value-added tax for sectors severely affected by the epidemic in the first quarter, especially transportation, tourism, catering, accommodation, etc., with the income tax base reduce by deducting loss from the profit; further reducing the social security payment rate to lighten the burden for enterprises; offering financial discounts for enterprises affected by the epidemic; offering tax and personal income tax deductions for enterprises and individuals making donations, and the reduction is not subject to the existing 12% limit of pre-tax profits for corporate income tax to encourage social donation; expanding the deficit rate, etc. For small and micro enterprises who could hardly survive, the government has also offered the support they need. Several cities (including Suzhou, Shanghai, Beijing, and Qingdao) issued policies one after another to support small and medium-sized enterprises in such difficult time. For example, the people's government of Suzhou city pointed out that the loan interest of banks should fluctuate by 10% to help small and medium-sized low-profit enterprises and offer more support for small and low-profit enterprises, and special attention should be paid to supporting key industries and enterprises facing financial difficulties.

(4) The Chinese government has also made promises concerning the following four aspects: 1. Supporting medical protection and treatment: exempt personal income tax for temporary work subsidies and bonuses for epidemic prevention and control as well as medical and protective equipment received by individuals from their employers to prevent COVID-19 according to the rules and regulations of the government. 2. Material supply: refund all due VAT credits for manufacturers of key materials required for the prevention and control of the epidemic in full; exempt VAT for incomes taxpayers acquired by providing transportation service for key materials required for the prevention and control of the epidemic; exempt VAT for the public transportation

service, daily life service and express delivery service for necessities of residents; one-off deduction of income tax for enterprise purchasing devices to expand production capacity in order to ensure the supply of key materials required for the prevention and control of the epidemic; exempt the customs duties for materials used for epidemic prevention and control imported by health authorities. 3. Encourage public welfare donation: allow pre-tax deductions of corporate income tax and personal income tax for cash and goods donated to help curb the spread of the epidemic through nonprofit social organizations and people's governments at or above the county level and corresponding departments; allow pre-tax deductions of corporate income tax and personal income tax for medical items donated directly to hospitals undertaking epidemic prevention and control tasks; encourage donation of goods that could help control the epidemic by exempting VAT, consumption tax, urban maintenance and construction tax, educational surtax and local education surcharge. In addition, the scope of duty-free imports of donation was expanded. 4. Resumption of work and production: for enterprises severely affected by the epidemic, the longest carry-forward period for losses incurred in 2020 could be extended to eight years. .3.2 Long-term Measures:

(1) In April 2020, the central government proposed several policies to stabilize industries and growth in a timely manner. To be specific, the government planned to stabilize employment by maintaining residents' job, stabilize investment by ensuring people's livelihood and supporting market entities, stabilize foreign capitals by stabilizing industrial chain and supply chain. Supporting market entities has played a fundamental and pivotal role. As long as enterprises survive, all the other fields could be maintained, including employment, people's livelihood, financial, foreign investment and foreign trade[6]. In this light, expanding demands and reducing tax and fees, a wise move that could help stabilize industries, became the most favorable policy among market entities.

(2) As for the monetary policy, Chinese government has adopted a relatively loose monetary policy to boost investment and expand the scale of fiscal expenditure. A greater number of liquid capitals was invested to keep company's cash flow stable and reduce the actual financing cost of companies to help them overcome difficulties. The central bank, by reducing deposit reserves, medium and short-term lending facilities and publicize market operations, has realized sufficient liquidity to maintain the stability the economy, and the 1-year loan prime rate will be further reduced on the existing basis to maintain the sustainability of the credit costs of SMEs. Besides, the central bank will also adopt targeted credit support measures to provide differentiated preferential financial services for regions,

industries, and enterprises that are severely affected by the epidemic. However, to prevent and resolve financial credit risks, it is also necessary to prevent unrestricted abuse of easing financial measures, namely, preferential interest rates and online financing[3]. People are encouraged to offer jobs other than donations, return to hometown to start a business and encourage the use of work-for-work, return to the hometown to start a business, and invest in the countryside to stimulate demand, stabilize employment, increase people's income, and thereby effectively reduce the adverse impact of the epidemic on the growth of laborer's income.

(3) As for the fiscal policy, China, given its ample fiscal space, could survive an economic crisis when it is necessary. The central government of China will implement a more proactive fiscal policy by relying more on targeted fiscal policies to stimulate economic growth and make proactive fiscal policies more effective. The country would take measures to issue special treasury bonds, expand budgetary investment at all levels and intensify efforts paid to complement shortcomings in the fields of public health and medical treatment. Besides, by stabilize production and help entities overcome difficulties, the country would offer more favorable and supportive policies in terms of tax, financing and social security for large industries and SMEs severely affected by the epidemic.

4. FUTURE DIRECTION

In order to advance the modernization of the governance system and capability of China, it is necessary to encourage and encourage local governments to carry out innovative explorations to boost economic development and reshape and optimize the central-local government governance system. At present, COVID-19 has been basically put under control. Governments at all levels, despite minimizing the impact of the epidemic, should also pay close attention to the secondary damage that might hinder the development of the economy and society as a result of the epidemic and corresponding prevention and control efforts, promote the synchronized resumption of work and production at various links in the industrial chain by enhancing coordination between upstream and downstream production and consumption based on sufficient administrative power and resource support according to their own needs, and thereby minimize the overall impact of the epidemic on the economy and society. In addition, the weakness of the national governance system was also exposed in the prevention and control of the epidemic, especially in front of major public security incidents. To tackle the weakness, it is necessary to improve the central-local government linkage mechanism, coordination mechanism, information mechanism, and implementation

mechanism in accordance with the law, so as to explore ways to build a highly efficient national governance system and lay a solid foundation for the growth of China's economy in defiance of an overall swoon. Meanwhile, we can also see space for industrial upgrading in the process of industrial recovery under the impact of disasters[6]. The industrial upgrading and adjustment in the future can consider the following two aspects: 1. Industrial restructuring and reorganization; 2. Sustainable innovation vitality of the country, society and enterprises.

5. CONCLUSION

In response to the economic damages caused by COVID-19, the Chinese government handled with calmly. On the condition of ensuring the health and safety of Chinese people, the Chinese government has made the utmost efforts in promoting economic recovery by launching various economic policies. The timely implementation of policies during the epidemic has helped effectively control the disease and bring back economic growth. The long-term upward trend of China's economy would not change. The virus has no nationality, and disease knows no borders. COVID-19 is the common enemy of the international community. In face of the unprecedented challenges in preventing and control the epidemic, China's approach has provided a powerful reference for other countries.

AUTHORS' CONTRIBUTIONS

This paper is independently accomplished by the author.

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