

# I. VIEWS ON THE COVID-19 CRISIS IMPACTS

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## Issues at stake

We are experiencing with the Covid-19 pandemic an unprecedented crisis, pushing the global economy into the worst recession since the Great Depression. Central Banks and governments have taken a wide range of measures to sustain the supply of credit to the real economy, support financial intermediation, and preserve the resilience of the global financial system. But this exogenous shock is placing the financial system under considerable strain.

The Covid-19 outbreak is however more a powerful amplification factor of a latent debt crisis rather than a cause in itself of the current situation. Indeed, lasting zero – and even negative – interest rates have allowed businesses, States and leveraged investors to take on unreasonable debts, making them vulnerable to deteriorating economic and market conditions. The resulting excess liquidity in the financial system has generated bubbles of financial assets and their bursting, thus further weakening the financial system and hampering economic recovery.

Strong policy responses and international cooperation are required to tackle the unprecedented health, monetary, economic, and financial stability challenges posed by the Covid-19 pandemic. Fiscal discipline and solidarity will be needed in the euro zone, where the heterogeneity of deficits and public debt, and therefore of tax margins, is particularly marked.

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