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Fiscal Policies in Times of the Covid-19 Pandemic: The Case of G-7 Countries and Turkey*

Kovid-19 Pandemisi Döneminde Maliye Politikaları: G-7 Ülkeleri ve Türkiye Örneği

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ABSTRACT

The Covid-19 pandemic has affected millions of people around the world and it has had a devastating impact on economies both in developed and developing countries. Most of the countries in the world have implemented various fiscal measures in order to alleviate the negative economic effects of this pandemic since its beginning. These measures resulted in a mild economic recovery during the summer months. However, as the weather becomes colder the number of cases and deaths have started to increase again (Worldometer, 2020). Since there is still not a definitive cure or a vaccine which prevents the Covid-19 pandemic it is not easy to predict when the pandemic will be over. As long as the Covid-19 pandemic continues most countries will probably experience economic contraction and fiscal policy will be a key tool in order to ease the negative effects of the pandemic on economies. This paper analyses fiscal policies implemented up to now in G-7 countries and Turkey in response to the Covid-19 pandemic.

Keywords: Covid-19, pandemic, fiscal measures, G-7 countries, Turkey

ÖZ

Kovid-19 pandemisi dünyada milyonlarca insanı etkilemiş ve hem gelişmiş hem de gelişmekte olan ülke ekonomilerinde yıkıcı etkiler yaratmıştır. Pandeminin başlangıcından itibaren dünyadaki ülkelerin hemen hemen tamamı, pandeminin negatif ekonomik etkilerini hafifletmek amacıyla çeşitli mali önlemler uygulamışlardır. Bu mali önlemler yaz aylarında hafif bir ekonomik toparlanma sürecine yol açmıştır. Ancak havaların soğumasıyla birlikte vaka ve ölüm sayıları yeniden artmaya başlamıştır (Worldometer, 2020). Covid-19 pandemisini tamamen önleyebilecek bir aşı ya da tedavi yöntemi henüz bulunmadığından pandeminin ne zaman biteceğini tahmin etmek mümkün değildir. Kovid-19 pandemisi devam ettiği sürece pek çok ülke ekonomik daralmayla karşı karşıya kalacak ve maliye politikası pandeminin ekonomiler üzerindeki negatif etkilerini



hafifletmek için en önemli araçlardan biri olmaya devam edecektir. Bu makalede G-7 ülkeleri ve Türkiye'de Covid-19 pandemisine karşı uygulanan maliye politikaları analiz edilmektedir.

Anahtar Kelimeler: Covid-19, pandemi, mali önlemler, G-7 ülkeleri, Türkiye

1. Introduction

The Covid-19 pandemic which emerged in the city of Wuhan, China has quickly spread across the world and it has resulted in huge economic damage (Brodeur, Gray, Islam and Bhuiyan, 2020). As of December, 22th 2020, the Covid-19 pandemic has affected approximately 80 million people and it has caused more than one and a half million deaths around the world (Worldometer, 2020).

National and regional governments all over the world issued stay-at-home orders and considered business closures necessary in order to increase social distancing and to decrease the risk of transmission (Weill, Stigler, Deschenes and Springborn, 2020). Although the global economy is recovering from the economic contraction that occurred during the Great Lockdown in April, Covid-19 pandemic continues to spread and many countries decelerate reopening and some of them are even imposing partial lockdowns (IMF, 2020a). According to the latest OECD projections, global GDP is expected to decline 4.5% in 2020 (OECD, 2020a). The Covid-19 pandemic will negatively affect the improvements made since the 1990s in decreasing global poverty and it will increase inequality (IMF, 2020a). Fiscal policy plays a crucial role in alleviating and addressing the negative impact of the Covid-19 pandemic and countries around the world have already implemented a number of fiscal measures in order to mitigate the adverse effects of this pandemic on their economies (Collier, Pirlot and Vella, 2020).

The G-7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) and Turkey have been severely affected by the Covid-19 pandemic. As of December 19th 2020, the United States has the highest total cases and France, Germany, Italy, the United Kingdom and Turkey are among the top fifteen countries with regard to the total cases in the world (Worldometer, 2020). Although Canada and Japan have lower total cases in comparison to the other G-7 countries, the number of total cases and deaths have started to soar as the weather has become colder in these countries as well (Worldometer, 2020). The G-7 countries and Turkey have tried to alleviate the negative effects of the Covid-19 pandemic on their economies by implementing various fiscal policy measures. Hence, investigating the measures already put into effect in the G-7 countries and Turkey would shed light on to what extent fiscal policies are effective in countries that have been intensively influenced by the Covid-19 pandemic.

The aim of this paper is to explain the fiscal policies implemented by the G-7 countries and Turkey so far in response to the Covid-19 pandemic. The structure of the paper is as follows: in section 2 we explain fiscal policy options that the countries can use in order to alleviate the negative economic effects of the pandemic and when these options should be implemented. In section 3 we discuss those fiscal measures implemented by the G-7 countries and Turkey until now, and finally, in section 4 we conclude.

2. Fiscal Policy Options in Response to the Covid-19 Pandemic

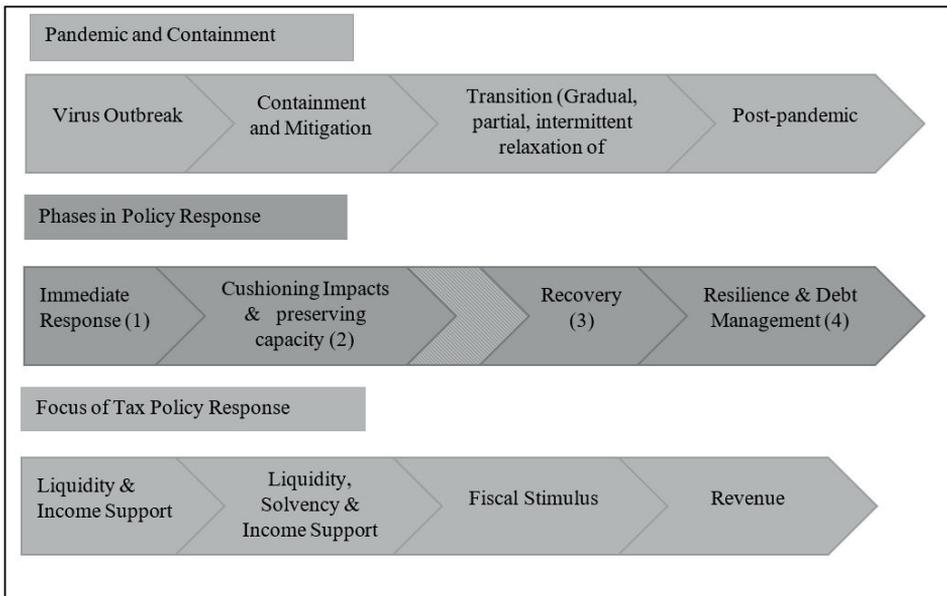
Without doubt, bringing the pandemic under control and restoring economic growth and job creation are significant objectives of fiscal policy during the Covid-19 pandemic (IMF, 2020b). In order to achieve these objectives, fiscal strategies should be flexible and governments should implement different fiscal policies according to the course of the pandemic (IMF, 2020b).

The OECD (2020b) explains the fiscal policy options of governments by dividing the course of the Covid-19 pandemic into four phases. Figure 1 shows these phases and governments' fiscal policy responses in each phase with an emphasis on tax policies. As it is clearly seen in this figure, there are four phases of the Covid-19 pandemic (OECD, 2020b): The first phase is the outbreak of the virus, the second phase is containment and mitigation, in which containment and mitigation

measures are applied, the third phase is the transition phase and the fourth phase is the post-pandemic phase. When countries are faced with a virus outbreak (phase 1) they take containment and mitigation measures and this is followed by mitigation policies (phase 2) where the aim is to slow down the spreading of the Covid-19 pandemic (OECD, 2020b). The containment and mitigation phase is followed by a transition phase (phase 3) in which mitigation policies are relaxed and after this phase there is a post-Covid-19 pandemic phase in which awareness of pandemic risks is increased (OECD, 2020b).

According to the OECD (2020b), four specific policy phases can be defined against this background. At the outbreak of the pandemic (phase 1), fiscal policy focuses on liquidity and income support and tax policies play a crucial role in providing financial support to businesses and households (OECD, 2020b). In the second phase, liquidity and income support progressively become more sustained and the set of policies which have already been implemented should be expanded in order to decrease the negative effects of the pandemic (OECD, 2020b). In the third phase, in order to support investment and consumption, fiscal stimulus and sustaining expansionary fiscal policy might be necessary, and finally in the fourth phase, governments should focus on restoring the public finances (OECD, 2020b).

Figure 1: Phases of Covid-19 Pandemic and Fiscal Policy Options



Source: MOECD (2020b).

Table 1: Alternative Fiscal Measures and their Applicability in the Different Phases of the Pandemic

Fiscal Measures	Widespread Lockdowns	Gradual Reopening	Post-Covid-19 Recovery
Household Income Support			
Cash or in-kind transfers	Yes	Transition and better targeting of those in need	Consider it again to develop social protection systems
Unemployment Benefits	Enlarge the coverage and extend the duration	Adjust the benefits to protect work incentives	Key constituents when developing social protection systems
Employment Measures			
Short-term Work/Job Retention Schemes	Yes	Decrease the use of these programmes to promote moving to new jobs if needed	Decrease access for extended cases
Temporary Hiring Subsidies	Not yet	Plan or commence if supply disruptions are substantially alleviated	Passing to active labour market policies
Active Labour Market Policies	Not yet	Commence it with programmes that develop labour skills	Yes
Public Investment			
	Plan it for the next phase	It could enhance maintenance and public works, plan it for the next phase	Increase quality investment with sustainable financing
Tax Measures			
Temporary Deferral of taxes and social security payments	Yes	Targeted deferrals based on taxpayers, pandemic developments and power of the recovery	No, but it could be used as part of debt restructuring
General Income Tax Cuts	No	No	Think of it as part of a stimulus package based on fiscal space
Accelerated Depreciation or Loss-Carry Backward	Not yet	Yes, it can be given to firms which resume their activities	Yes
Progressive Taxes	Think about it in particular if financing is limited	Think about it in particular if financing is limited	Yes, the choice of the instruments should comply with the good tax law design
Other Liquidity Support			
Loans, Guarantees	Yes, it could be conditional on protecting jobs in part with limitations on dividends/executive pay	Adjust with decreasing generosity	Contract for a timely exit
Solvency Support (Equity Injections)	Yes, with limitations on dividends and imposing losses to shareholders	Interference to systemic and strategic firms, limitations on dividends/executive pay	Aim for a proper exit
Debt Restructuring	No	Prepare restructuring framework and mediation mechanism for a quick workout	Yes

Source: IMF (2020b). IMF staff compilation.

Similar to the OECD, the IMF explains fiscal policies which are needed to be implemented in response to the negative economic effects of Covid-19 by taking into account the different phases of the pandemic (IMF, 2020b). According to the IMF (2020b), there are three phases in the Covid-19 pandemic: 1. Widespread lockdowns, 2. Gradual reopening and 3. Post-Covid-19 recovery. Table 1 shows alternative fiscal measures and their applicability in each phase of the pandemic.

As it is clearly seen in this table, governments have various fiscal measures and the applicability of these measures changes depending on the phases of the pandemic. Fiscal measures are grouped under five main categories and in each category, there are a number of measures that can be implemented in different phases of the pandemic (IMF, 2020b).

In the first phase of the pandemic (widespread lockdowns), the main aim of fiscal policy is to accommodate additional health and emergency services and to provide lifelines to the most affected people and firms (IMF, 2020b). During this phase, wage subsidies, unemployment benefits, deferred tax collection, subsidized loans and loan guarantees can be used in order to alleviate the negative economic effects of widespread lockdowns (IMF, 2020b). In this phase, the main challenges that the governments face are to prevent health systems from becoming overburdened and to implement extensive policies complying with the evolving nature of the pandemic (IMF, 2020b).

In the second phase of the pandemic (gradual reopening), since the governments start to remove mobility restrictions and comprehensive lifelines put into effect in phase 1 fiscal policy should still be flexible and government policies should guarantee a safe resumption of activity for all economic agents (IMF, 2020b). During this phase, fiscal policy should focus on generating a safe work environment, helping workers find new jobs and helping vulnerable firms to reopen (IMF, 2020b). Moreover, government policy should be more selective in order to reduce costs and to avoid distorting competition (IMF, 2020b).

In the third phase (post-Covid-19 recovery), the main aims of fiscal policies are to support an inclusive and sustainable recovery and to achieve structural transformation of the economy (IMF, 2020b). During this phase, the fiscal instruments used will determine the effect of fiscal policies on economic growth and employment levels (IMF, 2020b). Targeted transfers and income tax cuts for low-wage workers can enhance consumption in this group and this leads to higher short-term multipliers (IMF, 2020b). Moreover, active labour market policies can promote reallocation of workers to more productive and better-quality formal jobs (IMF, 2020b).

Benassy-Quere et al. (2020) explain the policy responses to the Covid-19 pandemic in the European Union countries by dividing the course of this pandemic into four different phases: 1. The China Shock (January-March), 2. Sectoral Disruptions (Starting in February), 3. Acute overall Disruption (Starting in March) and 4. Recovery (Starting in May or June). In the first phase (The China Shock), since there are significant sectoral effects and macroeconomic impacts are negligible, the need for policy intervention at the aggregate level is small (Benassy-Quere et al., 2020). In the second phase (Sectoral Disruptions), tax and social contribution payments delays and partial unemployment schemes are adequate responses together with providing additional funding for healthcare (Benassy-Quere et al., 2020). During the third phase (Acute overall Disruption), widespread emergency support measures are required (Benassy-Quere et al., 2020). The main measures that can be implemented in this phase are financial support to small and medium sized enterprises in the form of tax relief and concessional credit lines and grants, temporary partial unemployment support, direct support to households by means of relief of cash payments or cash handouts and direct transfers to self-employed people (Benassy-Quere et al., 2020). Finally, in the fourth phase (Recovery), a strong fiscal demand support is needed and instead of sup-

ply-side or sectoral measures the priority is given to aggregate demand (Benassy-Quere et al., 2020). During this phase, the most adequate fiscal policy tool is probably direct transfers to households (Benassy-Quere et al., 2020).

As it is clearly seen from the above explanations, different measures should be used during the different phases of the Covid-19 pandemic. Without doubt, countries will experience each phase at different times and the circumstances of each country may be different in the same phase (IMF, 2020b). Hence, every country should take into account its specific conditions while designing and implementing appropriate fiscal policies in response to the negative economic effects of the Covid-19 pandemic.

3. An Evaluation of Fiscal Policies in the G-7 Countries and Turkey

Since the beginning of the Covid-19 pandemic, many countries around the world have put various measures into effect in order to increase health care systems and to limit the spread of the virus (Maher, Hindery and Hoang, 2020). Within the scope of social distancing measures, businesses in some sectors, schools, community centres and non-governmental organizations were closed down, large gatherings were forbidden and lockdown measures and travel restrictions were applied (Brodeur et al., 2020). These measures have inevitably led to sharp economic contractions. Both developed countries and emerging markets and developing countries are simultaneously in recession for the first time since the Great Depression (Gopinath, 2020). As a result of these developments, governments have responded to the economic crises by using fiscal and monetary measures on a large scale (Benmelech and Tzur-Ilan, 2020). Here, we explain the fiscal policies that have been implemented in response to the negative economic effects of the Covid-19 pandemic in G-7 (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) countries and Turkey.

Canada has taken quick and decisive action to support households and businesses in response to the Covid-19 pandemic (The Government of Canada, 2020). As of December 15th, the main fiscal measures that have been implemented are as follows (IMF, 2020c): 1. \$20 billion (0.9% of GDP) to the health system to promote testing, vaccine development, medical supplies and higher support for Indigenous communities, 2. Almost \$249 billion (11.6% of GDP) direct aid to households and firms involving wage subsidies, payments to workers without sick leave and access to employment insurance, a rise in existing tax credits and child care benefits and a new Indigenous Community Support Fund and 3. Almost \$85 billion (3.9% of GDP) in liquidity support by using tax deferrals. As a result of these measures, the budgetary deficit increased to \$170.5 billion for the April to August period of 2020-2021 fiscal year in comparison to a deficit of \$5.2 billion for the same period of 2019-2020 (The Department of Finance Canada, 2020a). This deterioration in the government's budget is a reflection of the economic decline and measures implemented in response to the Covid-19 pandemic (The Department of Finance Canada, 2020a). The Canadian Government announced their Fall Economic Statement which outlines their "building back better" strategy in order to recover from the Covid-19 pandemic at the end of November (IMF, 2020c). The Fall Economic Statement puts forward the following new measures to support a strong recovery (The Department of Finance Canada, 2020b):

- Investments in testing and tracing, provision of personal protective equipment, a number of measures to protect people in long-term care and \$150 million to develop ventilation in public buildings and to help decrease the spread of Covid-19
- Increasing the maximum rate of the Canada Emergency Wage Subsidy to 75 percent over the period December 20, 2020-March 13, 2020 to support all businesses and extending

the current rates of the Canada Emergency Rent Subsidy and Lockdown Support until March 13, 2021. Both programmes will continue until June 2021

- New support containing the new Highly Affected Sectors Credit Availability Programme to support hardest-hit sectors such as tourism, hotels, arts and culture and the air sector
- Providing temporary support of up to \$1200 in 2021 for each child under the age of six for families entitled to the Canada Child Benefit
- A plan to plant two billion trees and preparing a substructure for a Canada-wide Early Learning and Child Care System to support Canadians to make their homes greener and more energy efficient.

France is one of the hard-hit countries from the Covid-19 pandemic (IMF, 2020c). In addition to public guarantees of €327 billion (approximately 15% of GDP) which consist of €315 billion in guarantees for bank loans and credit insurance schemes, government authorities amended three budget laws between March and July and increased the fiscal budget dedicated to the economic crisis to around €135 billion (almost 6% of GDP, comprising liquidity measures) (IMF, 2020c). The main fiscal measures that are applied as of December 17th are as follows (IMF, 2020c): 1. Easing and strengthening health insurance for sick people or their caregivers, 2. Increasing spending on health supplies, 3. Liquidity support by delaying social security and tax payments for firms and accelerated refund of tax credits, 4. Providing support for workers who are under the reduced hour scheme, 5. Providing direct financial support to affected microenterprises, self-employed people and low income households, 6. Delaying rent and utility payments for affected microenterprises and small and medium sized enterprises, 7. Additional allocation for equity investments or nationalization of firms which face difficulties, 8. Streamlining granting of exceptional bonuses exempt from social security contributions, 9. Extending of expiring unemployment benefits till the end of lockdown and preserving the rights and benefits under the disability and active solidarity income schemes and 10. Measures such as incentives to buy greener vehicles and green investment support for automobile and aerospace sectors. In addition to these measures, the government released a new fiscal package to help the recovery of the French Economy (“Plan de Relance”) on September 3 (IMF, 2020c). This plan consists of measures which amount to around €100 billion and which are centred upon the ecological transformation of the economy, enhancing the competitiveness of French firms and helping social and territorial cohesion (IMF, 2020c).

Germany has allocated a huge amount of money in response to the Covid-19 pandemic and it has created its relief plan on the basis of four Ts: targeted, timely, temporary and transformative (Goodman and Gerstel, 2020). The federal government has already put into effect two supplementary budgets which amount to €286 billion and it is planned to issue €218.5 billion in debt this year in order to fund the packages (IMF, 2020c). The early fiscal measures implemented in response to the pandemic are as follows (IMF, 2020c): 1. Expending on health care equipment, hospital capacity and vaccine development, 2. Broadened access to short-term work subsidy, broadened childcare benefits for low-income parents and facilitating access to basic income support for self-employed people, 3. Together with interest free tax deferrals until the end of the year and €2 billion venture capital funds for start-ups, €50 billion grants to small businesses and self-employed people, 4. Transitorily broadened duration of unemployment insurance and parental leave benefits. In addition to these early measures, the package in June includes a transitorily value added tax reduction, income support for families, providing grants to hard-hit small and medium sized enterprises, financial support to local governments, broadened credit guarantees for exporters and export-financing banks and subsidies or investment in digitalization and green energy (IMF, 2020c).

Similar to France, Italy is one of the most affected countries from the Covid-19 pandemic. The early fiscal measures can be grouped into three main categories (Anderson et al., 2020): 1. Immediate fiscal stimulation (€61.3 billion), 2. Deferrals (€235.3 billion) and 3. Other liquidity and guarantee measures (€571 billion). Under immediate fiscal stimulation the measures implemented are €35.4 billion for keeping people employed and supporting the unemployed, €7.5 billion for additional healthcare related spending, €6.2 billion grants to businesses and self-employed people and value added tax holders, €4 billion in order to cancel balance and advance payment to regional business tax, €2.4 billion in decreased taxes and contributions for all companies in hard-hit sectors and all companies below €2 million, €3.5 billion worth of tax credit, €1.5 billion to support tourism, €0.6 billion to decrease utility bills of small productions and commercial activities, €0.25 billion to support education and culture (Anderson et al., 2020). Deferrals consist of €220 billion moratorium on all loans and mortgages payable in instalments until 30 September for micro, small and medium sized enterprises, €10.7 billion deferred taxes and contributions for all companies in hard-hit sectors and all companies below €2 million and €4.6 billion deferral of value added tax payments for April and May 2020 (Anderson et al., 2020). Finally, other liquidity and guarantee measures include €200 billion in guarantees to banks that provide loans to firms, €200 billion in guarantees for maintaining export, €100 billion in loan guarantees for small and medium sized enterprises, €45 billion for the recapitalization of large companies, €12 billion for advance payments to regions that lacks the liquidity, €10 billion state guarantee for banks that finance big and medium sized enterprises and €4 billion for corporate debt and bond purchase (Anderson et al., 2020). On May 15, the government put into effect an additional €55 billion “Relaunch” package which consists of income support for families and other measures to support businesses (IMF, 2020c). On August 8, the government introduced another €25 billion package comprised of labour and social measures, extending the moratorium on small and medium sized enterprises’ debt repayment and the time for paying back tax obligations (IMF, 2020c). On October 27, the government put into effect a €5.4 billion fiscal package that aims to help sectors affected by the latest Covid-19 containment measures (IMF, 2020c). This package consists of grants to 460 thousand small and medium sized enterprises and the self-employed and further income support for families (IMF, 2020c). Moreover, the government prolonged social contribution exemptions for affected businesses (IMF, 2020c).

The Government of Japan introduced ¥117.1 trillion (20.9% of 2019 GDP) Emergency Economic package on April 7 and this package covers three previous packages that were put into effect in response to the Covid-19 pandemic (IMF, 2020c). The main measures of Emergency Economic package are cash handouts to every individual and affected firms, deferral of tax payments and social security contributions and concessional loans (IMF, 2020c). The government of Japan put into effect a second supplementary budget worth ¥117.1 (20.9% of 2019 GDP) trillion on June 12 (IMF, 2020c). This package covers health related measures, support to businesses and households, transfers to the local governments and increasing the ceiling of the Covid-19 reserve fund (IMF, 2020c). The specific measures included in this package are expansion of the work subsidies, procurement of subordinated loans by the public financial institutions to affected companies and subsidies to affected companies for their rent payments (IMF, 2020c). The Government of Japan put into effect the Comprehensive Economic Measures to Secure People’s Lives and Livelihoods toward Relief and Hope on December 8 (IMF, 2020c). This package which amounts to ¥73.6 trillion (13.1% of 2019 GDP) consists of the following measures (IMF, 2020c): 1. Contain Covid-19, 2. Promote structural change and positive economic cycles for Post-Corona era and 3. Secure

safety and relief with respect to disaster management along with the allocation of the COVID-19 Reserve Fund. The specific measures within this package are incentives for companies to invest in digitalization and green technologies and extension of the current Covid-19 responses like concessional loans to the affected companies (IMF, 2020c).

The United Kingdom has announced three packages since the beginning of the Covid-19 pandemic (IMF, 2020c). During health emergency, fiscal support consists of additional funding for the NHS, public services and charities (£48.5 billion), measures to support businesses (property tax holidays, direct grants for small companies and companies in the hard-hit sectors and compensation for sick pay leave) (£29 billion) and strengthening the social safety net to help vulnerable people (£8 billion) (IMF, 2020c). In July, the government put into effect another package in order to support economic recovery (IMF, 2020c). The main measures this package includes are as follows (IMF, 2020c): 1. Providing companies £1000 per furloughed worker retained until the end of January, 2. Enhanced resources to improve skills and easing re-entering to the job market, 3. Reducing the value added tax rate for hospitality, accommodation and attractions and real estate transactions tax temporarily and 3. Enhanced public spending on infrastructure. Another package of fiscal measures was introduced on September 24 and this package includes the following measures (IMF, 2020c): 1. A six-month Job Support Scheme, 2. Extending the Self Employment Income Support Scheme for people who continue to trade but experience decreased demand because of the Covid-19 pandemic, 3. Extending temporarily 15% value added tax cut for the tourism and hospitality sectors till the end of March 2021, 4. Deferral of value added tax payments, 5. Extending the maturity of loans under CBILS (The Coronavirus Business Interruption Loan Scheme) and BBLS (The Bounce Back Loan Scheme), 6. Extending the application period for loans under CBILS, CLBILS (The Coronavirus Large Business Interruption Loan Scheme) and BBLS until the end of November and 7. Helping people who receive unemployment benefits for at least 13 weeks for job search under the new JETS programme. The government released a new package of measures in November due to the second lockdown (IMF, 2020c). This package covers the following measures (IMF, 2020c): 1. Delaying Job Support Scheme, cancelling the Job Retention Bonus, 2. Extending the Coronavirus Job Retention Scheme until the end of March, 3. Increasing the grant of the Self Employment Income Support Scheme and 4. Extending the deadline to apply for the government guaranteed loans until the end of January. Moreover, on December 17 the government stated that it would prolong the furlough scheme and the business support programme until April 2021 (IMF, 2020c).

The United States is one of the most affected countries from the Covid-19 pandemic. As of November 3rd, it has seen 9.568.396 cases and 237.009 deaths due to the pandemic (Worldometer, 2020). The United States enacted four laws in order to reduce the negative effects of Covid-19 pandemic on the economy in March and April (Congressional Budget Office, 2020). These laws are as follows (Congressional Budget Office, 2020): 1. Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, 2. Families First Coronavirus Response Act, 3. Coronavirus Aid, Relief and Economic Security (CARES) Act and 4. Paycheck Protection Programme and Healthcare Enhancement Act. The total amount of Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 and Families First Coronavirus Response Act is US\$ 200.3 billion (around 1% of GDP) (IMF, 2020c) and this amount is used for (IMF, 2020c): 1. Virus testing, transfers to states for Medicaid funding, vaccine development, therapeutics and diagnostics and support for Centers for Disease Control and Prevention, 2. Two weeks paid sick leave, up to three months emergency leave for people who get infected (at 2/3 pay), food assistance, transfers to states to fund expanded

unemployment insurance, 3. Expansion of Small Business Administration loan subsidies and 4. US\$ 1.25 billion in international assistance. Moreover, federal student loan obligations were postponed for 60 days (IMF, 2020c). The amount of Coronavirus Aid, Relief and Economic Security (CARES) Act is approximately US\$ 2.3 trillion (11% of GDP) and it consists of seven measures (IMF, 2020c): 1. US\$ 293 billion for providing one-time tax rebates to people, 2. US\$ 268 billion for enlarging unemployment benefits, 3. US\$ 25 billion for providing a food safety net for the most vulnerable, 4. US\$ 510 billion for providing loans, guarantees and supporting Federal Reserve 13(3) programme in order to prevent corporate bankruptcy, 5. US\$ 349 billion in forgivable Small Business Administration loans and guarantees to support small businesses that keep workers, 6. US\$100 billion for hospitals, 7. US\$150 billion in transfers to state and local governments and 8. US\$49.9 billion for international assistance. The amount of Paycheck Protection Programme and Health Care Enhancement Act is US\$ 483 billion and it comprises 1. US\$ 321 billion for additional Small Business Administration loans and guarantees to support small businesses that keep workers, 2. US\$ 62 billion for the Small Business Administration for providing grants and loans to support small businesses, 3. US\$ 75 billion for hospitals and 4. US\$ 25 billion for enlarging virus testing (IMF, 2020c). In addition to all of these measures, on August 8, President Trump announced executive orders which include (IMF, 2020c): 1. US\$ 44 billion from the Disaster Relief Fund for providing supplementary unemployment benefits, 2. Sustaining student loan payment relief, 3. Deferring employee social security payroll taxes and 4. Defining options to assist renters and homeowners to prevent evictions and foreclosures.

Turkey encountered the Covid-19 pandemic with growing fiscal imbalances, yet it had more fiscal space in comparison to many similar countries (The World Bank, 2020). As of September 9, policy makers have stated that the amount of the entire discretionary fiscal support package would be TL 537.7 billion (12.8% of GDP) in 2020 and approximately TL 123 billion (2.7% of GDP) of this amount is in the form of on-budget measures (IMF, 2020c). The main fiscal measures consist of (IMF, 2020c): 1. Loan guarantees to companies and households (6.8% of GDP), 2. Loan service deferrals by state-owned banks (1.5% of GDP), 3. Tax deferrals for businesses (1.5% of GDP), 4. Equity injections into public banks (0.5% of GDP) and 5. A short-term work scheme (0.4% of GDP). Moreover, a ban on employee layoffs across the country was applied until September 17 (IMF, 2020c). Together with the increasing number of cases and deaths, Turkey started to apply containment measures once again at the beginning of December. In order to alleviate the negative economic effects of these measures, the short-term work scheme was re-opened in December and extended into 2021 (IMF, 2020c). Moreover, the value added tax rate has decreased on some goods such as food and accommodation services until June 2021 (IMF, 2020c). Lastly, a nationwide ban on employee layoffs will be in force until January 2021 (IMF, 2020c). Fiscal policy has played a significant role in Turkey since the outbreak of the Covid-19 pandemic (The World Bank, 2020). As a result of this, budget numbers quickly changed between March and May in 2020 (The World Bank, 2020). While direct and indirect tax collections fell by two percent each in real terms in comparison to the same period in 2019 overall revenue collections fell by five percent in real terms because of the economic contraction, unemployment and tax reliefs (The World Bank, 2020). Although there is an increase in fiscal imbalances in Turkey, the existing fiscal space can be a crucial factor in protecting the economy from the negative effects of the Covid-19 pandemic (Kouame and Rab, 2020).

The amount and the composition of fiscal measures vary widely in different countries. Without doubt, the G-7 countries have provided a vast support to households and companies by using

fiscal tools during the Covid-19 pandemic. Although the fiscal support of Turkey is lower in comparison to the G-7 countries, Turkey responded to the negative economic effects of Covid-19 pandemic very quickly and tried to support households and businesses as much as it could under the growing fiscal imbalances.

As it is clearly seen from the above explanations, the G-7 countries and Turkey have implemented various fiscal measures in order to alleviate the negative effects of the Covid-19 pandemic on economies since its beginning. Without doubt, these measures have helped households and businesses that were dramatically affected from the pandemic. However, the Covid-19 pandemic has not finished yet and the number of cases and deaths have started to rise again as the weather has become colder (Worldometer, 2020). As a result of these developments, many countries have started to implement containment and mitigation measures once again and this will lead to economic contraction and unemployment. Hence, both developed countries and emerging markets and developing countries will probably need to put into effect new fiscal measures in order to reduce the negative effects of the pandemic on economies in the near future.

4. Conclusion

The Covid-19 pandemic which started in Wuhan, China has spread to almost all of the countries in the world and it has resulted in approximately 80 million cases and more than one and a half million deaths as of December, 22nd 2020 (Worldometer, 2020). Similar to many other countries in the world, the G-7 countries and Turkey have been severely affected by the Covid-19 pandemic.

In order to prevent the spread of the pandemic, the G-7 countries and Turkey have implemented containment and mitigation measures since its beginning and this has unavoidably led to economic contraction and unemployment. In response to the negative effects of the Covid-19 pandemic on economies, these countries have put into effect various fiscal measures. Although the amount and composition of fiscal measures differ across countries, both G-7 countries and Turkey have tried to support households and businesses as much as they can under the existing fiscal conditions. As a result of these measures, the G-7 countries and Turkey have experienced a mild economic recovery during the summer months. However, as the weather becomes colder the number of cases and deaths have started to increase again (Worldometer, 2020) and countries have begun to implement containment and mitigation measures in order to control the spread of the pandemic. Without doubt, these measures will have negative impacts on economic activities and the G-7 countries and Turkey will probably need to apply fiscal measures again in order to alleviate these negative effects in the near future.

Since there is still not a definitive cure or a vaccine which prevents the Covid-19 pandemic, it is not easy to predict when the pandemic will be over. Hence, as long as the Covid-19 pandemic continues, countries will be obliged to implement containment and mitigation measures and they will inevitably experience economic recession. Fiscal measures play a key role in alleviating the negative effects of the pandemic on economies. Although these measures help economic recovery in the short-run, countries cannot implement expansionary fiscal policies over a long period of time because of the worsening fiscal imbalances. Thus, inventing a definitive cure or a vaccine is of vital importance in order to achieve a complete economic recovery.

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