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on the topic:

**STABILIZATION OF THE PUBLIC FINANCIAL SYSTEM IN CHINA  
DURING PANDEMIC TIMES**

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## INTRODUCTION

Today, the novel coronavirus pneumonia still seriously affects the stability of the public financial systems of various countries, and seriously affects the normal functioning of the societies of various countries. Today, the global economy is closely linked, to the Great Depression in 1930 and multiple financial crises. It can be seen that the economic turmoil in one country will cause damage to many countries, and the economic pressure brought by the new coronavirus pneumonia is a serious external factor facing the world, causing economic damage to many countries. It is very necessary to stabilize the public financial system during the epidemic, but it is worth noting that the degree of disaster-affected varies from country to country. How to minimize the degree of disaster and stabilize the public financial system during the epidemic has been widely studied by scholars from all over the world.

Relevant information shows that in 2020, the global economy will drop by 4.4%, the total GDP will decrease by 3.91 trillion US dollars, many countries have suffered serious damage, and unemployment has risen sharply. Take the United States as an example. Before the epidemic hit the U.S. economy, the unemployment rate in the United States was 3.5%. By April 2020, the unemployment rate in the United States reached 14.8%, the highest level since data records began in 1948. Although this is the worst period since the outbreak, and it has improved rapidly since then, the trauma caused by the new coronavirus pneumonia is still affecting the US economy, and in terms of unemployment, it can also be Learned about the severe impact of the epidemic on the world's largest economy.

The International Monetary Fund released the World Economic Outlook Report in October 2020, predicting that China's GDP will grow by 1.9% in 2020, making it the only major economy in the world to achieve positive growth. China's actual annual economic growth rate even exceeded the forecast value by 2.3%. Although part of the reason is that China's base in 2020 is relatively low, being a country with positive

growth also means that the degree of damage is small. Although experience needs to be in line with the national conditions of each country, it cannot be completely replicated. However, through analysis, we can obtain experience suitable for each country. In today's economic turmoil, we can contribute to global financial stability and achieve the goal of the common development of the global economy [4].

Therefore, this paper selects China, which is less affected by the disaster, for analysis, and uses the ARIMA model in the EVIEWS software to predict China's external sector by combining the more severely damaged primary industry, the secondary industry, and the most severely damaged tertiary industry. Actual losses, analysis of the negative impact of the new coronavirus pneumonia on China, detailed analysis of the disaster situation, and whether it will have a long-term impact on the macroeconomic system.

Using the external sector losses predicted by ARIMA, combined with the disaster situation of each sector, we analyze the measures China has implemented in the face of the epidemic, so as to give a solution to the problem of 'how to stabilize the public financial system in the face of domestic and foreign pressures during the epidemic'. The answer, combined with China's policy analysis of liquidity risks, contributes to the stability of the financial systems of various countries in the world, so as to achieve a win-win goal.

At the beginning of 2020, the novel coronavirus pneumonia has spread rapidly around the world since the outbreak, and caused serious damage to the global economy, resulting in the shutdown of many countries. The public financial system caused a shock. Today, when the global economy is closely linked, economic fluctuations in one country are likely to cause damage to many countries. For example, the Great Depression in 1930, which originated in the United States between 1929 and 1933, eventually spread to the entire capitalist world, such as the economic crisis in 2008, originated from the subprime mortgage crisis on Wall Street in the United States, and eventually triggered a financial crisis, which in turn triggered an economic crisis around

the world. The negative impact of this economic crisis is unprecedented, and even brought about the long-term impact has resulted in no country in the world completely emerging from this economic crisis. The novel coronavirus pneumonia has brought economic fluctuations in many countries around the world, and whether this will bring long-term negative effects, or even bring about a new round of global economic crisis, we do not know, we can only try our best to stabilize public financial system to avoid greater losses.

After the outbreak of the new coronavirus pneumonia, the stock indexes of various countries around the world began to show a plummeting situation. If the index fell by 1% in a single day as a sign of market panic, on February 18, the Nikkei 225 and the Korea Composite Index were the first to sound the alarm, falling 1.4% and 1.48% respectively. Then on February 20, Italy also pulled the alarm on the European stock market, and the Italian index fell 1.52% that day. After that, the global panic resonated, and the stock indexes of various countries began to plummet. The United States has experienced 4 circuit breakers in 10 days, and the three major U.S. stock indexes, which have recorded the worst weekly performance since the 2008 global financial crisis, are among them. In just one week, nearly half of their 2019 gains were all consumed. It is conceivable how severe the impact of the new coronavirus pneumonia has been on the public financial system of the United States. Therefore, we turn our perspective to the United States [5].

At the beginning of 2020, the U.S. economy fell into its worst recession since the Great Depression, and the new coronavirus pneumonia was the most serious external factor. On February 25, 2020, Goldman Sachs lowered the growth forecast for the US GDP from 1.4% to 1.2%, pointing out that the epidemic will drag the US economy. And the International Monetary Fund has also predicted that in 2020, the economic growth rate of the United States will drop to -5.9%. In the face of the turmoil in the world's largest economy and the recession caused by the epidemic, whether this will

evolve into a world financial crisis and whether preventive measures need to be taken in advance are questions worth exploring.

**Research Objectives.** The purpose of this work is to deepen the theoretical aspects of the formation and development of the Public Financial System of China and substantiate practical recommendations for its stabilization during pandemic times.

Achieving this goal involves a consistent solution for the following tasks:

1. Reveal the harm of the new coronavirus pneumonia to the economy.
2. Take China as an example to analyze the direct and indirect effects of the new coronavirus pneumonia on the economy.
3. Taking the import and export trade with the most serious impact as an example, establish a model to analyze the degree of loss.
4. Analyze the possible long-term impact of the epidemic and whether it is necessary to prevent possible financial crises.
5. Summarize China's measures to stabilize the public financial system.
6. Analyze and summarize, measures worthy of reference.

**Object of study:** processes of formation and development of China's public financial system.

**Subject of the study:** a combination of theoretical and practical aspects of the formation and development of the Public Financial System in China during pandemic times.

**Research significance.** The epidemic has had a serious impact on global economic development. Scholars from all over the world have studied the epidemic and worked with government departments to improve relevant measures to maintain the stability of the public financial system. In a year of economic volatility, the International Monetary Fund predicted that China's GDP will grow by 1.9% in 2020, making it the only major economy in the world to achieve positive growth. In fact, China has not only achieved positive GDP growth, but also exceeded the forecast value of the International Monetary Fund, because during the epidemic, China took many

measures to maintain a certain stability of the public financial system. Therefore, it is possible to study why China stabilized the public financial system during the epidemic and enabled the GDP to achieve positive growth. It is meaningful.

Through research, it can be found that China was committed to stabilizing the public financial system in the early stage of the discovery of the epidemic, and attached great importance to the smooth operation of the economy, thus reducing the loss of the epidemic to the economy. This is a rapid response brought about by past experience. China experienced SARS in 2002 and suffered very serious losses. Through continuous analysis and research, it has sufficient experience and lessons for public health emergencies. so that corrective measures can be implemented and disaster losses can be reduced. While COVID-19 has spread rapidly, even outpacing the government's response in some ways, the Chinese government is still in the early stages of detecting the outbreak and has taken a series of policy measures to bolster the public financial system [13].

In the fourth quarter of 2019, the People's Bank of China pointed out in the "Report on the Implementation of China's Monetary Policy" that it is necessary to keep the price level basically stable, and to fight a tough battle to prevent and resolve major financial risks, and in February 2020, General Secretary Xi Jinping was in The 'Coordinated Promotion of New Coronary Pneumonia Epidemic Prevention and Control and Economic and Social Development Work Deployment Conference' pointed out that it is necessary to prevent economic operations from slipping out of a reasonable range and prevent short-term shocks from turning into trend changes. It is precisely because the Chinese government attaches great importance to the stability of the public financial system that the economic losses have been greatly reduced, and it has finally seized the rebound and achieved positive GDP growth [4].

But while it may appear that China has achieved positive GDP growth and has not suffered losses, it is clear that this is wrong. We cannot ignore China's own economic development trend and the inertial trend of high-speed growth. Just like a

high-speed car, if the speed drops sharply, it is likely to suffer a sudden accident. Therefore, China's potential losses make huge. However, the positive GDP growth achieved on the surface actually only reduces the losses to an acceptable range. This article will discuss the losses suffered by China's three major industries and various departments, and analyze the government's face. The losses suffered by all walks of life and the remedial measures implemented are analyzed, and conclusions are drawn at the economic level, which provides certain experiences and lessons for countries in the face of the new coronavirus pneumonia, so that countries can more easily come up with responses suitable for their own national conditions. In order to reduce the losses caused by the epidemic as much as possible, stabilize the global financial system, avoid possible crises to the greatest extent, and achieve the goal of the common victory.

Based on the International Monetary Fund's forecast that the global economy will shrink by nearly 3.3% in 2020, the severity of the crisis is likely to exceed that of the 2008 global financial crisis. Have:

1. Large fluctuations in stock prices and output gaps, which means the emergence of market panic, and this is also the best predictor of banking crises in advanced economies.

2. The ratio of credit to GDP, which is also easier to understand. Usually, an economic crisis starts with a contraction of per capita GDP and ends when per capita GDP reaches the level before the contraction.

3. Bankruptcy of large financial institutions. To put it simply, the bankruptcy of a credit company or even a bank will lead to the instability of a country's public financial system. In today's economic globalization, the economies of many countries are closely linked, and even banks in different countries are interconnected. The collapse of the public financial system of China is bound to bring strong economic shocks to other countries.

If you look at these indicators alone, it seems that the global financial crisis is already gaining momentum, but this article believes that, based on the current situation,

the global financial crisis will not come, unless the new type of coronavirus pneumonia will continue to break out, or there will be Other serious external factors ultimately make the world economic system unsustainable. Therefore, it is necessary for countries around the world to pay attention to the impact of the epidemic on the financial system, study and learn from each other, and stabilize their own public financial systems.

**Research methods and research content.** This article will analyze and study the losses caused by the new coronavirus pneumonia to China, study the negative impacts and losses China has suffered in the three major industries, external departments and other aspects, and then sort out the policies and countermeasures China has implemented. In conclusion, research measures based on the degree of loss, so as to analyze the implemented measures, study the policies and measures implemented by China to help China in the face of the epidemic, so as to use China's experience to provide countries around the world with experience and measures to face the epidemic, and analyze whether it will bring a new round of global economic crisis, and analyze whether it is necessary to take precautionary measures against possible risks.

The main content of the article includes the following parts:

The first part is the introduction, which will introduce the impact and losses caused by the novel coronavirus pneumonia to the global financial system, and propose the significance of the research. At the same time, the current research status at home and abroad will be analyzed and sorted out to pave the way for the conclusion of this paper.

The second part is to collect data and analyze the losses caused by the new coronavirus pneumonia in detail. At the same time, the ARIMA model is used to predict China's actual losses in the external sector in 2020, and we can also learn about the sinking that we cannot see caused by the epidemic.

The third part is to analyze the effectiveness of the policies and the effectiveness of China's implementation of relevant policies and measures based on the policies and measures implemented by China.

The fourth part is the conclusion, and general measures suitable for all countries in the world are obtained, but this still needs to be combined with each country's own national conditions, and it is only a learning direction of China's experience.

**Research methods.** This article will organize and analyze domestic and foreign literature, first of all, it will study the impact of the new coronavirus pneumonia on China's public financial system, that is, the negative impact on the three major industries, the external sector and other aspects, and the high loss planning. For example, there are certain differences in the production methods, sales methods and other aspects of the three major industries, so their performance in the epidemic varies, and relevant analysis is required. At the same time, combined with China's relevant governance experience to analyze, and finally draw relevant conclusions. Therefore, the research methods used in this paper are as follows:

1. Literature research method, no matter what research is carried out, the literature research method is the first and necessary. The literature research method is to integrate and analyze the relevant data. Some new ideas, and at the same time, a large amount of relevant knowledge base has been obtained, which lays the foundation for subsequent research.

2. The ARIMA model, also known as the Autoregressive Integrated Moving Average Model, is a famous time series forecasting method proposed by Box and Jenkins in the early 1970s. The ARIMA model is used in the EVIEWS software to form the amount of foreign trade over time. The data series of 2020 is regarded as a random sequence, and a mathematical model is used to approximately describe this sequence, and then the actual foreign trade volume of China in 2020 is predicted from the past and present values of the time series, thereby predicting the actual loss amount.

3. Empirical research method. This paper mainly collects the trade volume data of China's foreign sector in recent years, determines the exact research object and makes predictions, and then analyzes the relevant data collated before, and uses EVIEWS software to use econometric models to make predictions. In this way, the impact degree

of the new coronavirus pneumonia on the stability of China's public financial system is obtained, and then the relevant measures taken by China are combined to analyze and draw conclusions.

**Publication of research results.** The scientific results obtained by the master's thesis are published in the scientific-practical journal «*Ekonomika ta derzhava*» (vol. 2, pp. 147–150), proceedings of the conference "National Economy in Modern International Space" (Kyiv, January 22, 2022).

# SECTION 1

## THEORETICAL FOUNDATIONS AND MECHANISM FOR STABILIZING THE FINANCIAL SYSTEM

### 1.1. Essence and principles of stabilization of the Public Financial System

Since the outbreak of the global financial crisis, many countries have done a lot of research to stabilize the Public financial system. With the development of today's economic globalization and social financial liberalization, various financial derivatives are constantly innovating, and as a result, the structure of the public financial system has undergone many changes, and the factors that endanger the stabilization of the Public financial system have also undergone great changes. Well-known international institutions such as the International Monetary Fund and the Bank for International Settlements, as well as the central banks of many countries, have begun to issue financial stability reports on a regular basis to emphasize financial stability, but the real attention paid to stabilization of the Public financial system came after the Asian financial crisis.

Stabilization of the Public financial system describes a state of financial stability of a country, that is, the entire public financial system does not experience major fluctuations, and the function of finance as a capital medium can be effectively played, and the financial industry itself can remain stable, orderly and coordinated development. However, according to relevant data, the entire financial community has not yet formed a consensus on the definition of financial stability. Therefore, the concept of financial stability can only be explained based on the positive and negative definitions of financial stability. First, through the introduction and describe the specific characteristics of financial stability, and define its connotation from a positive perspective. Second, through the introduction of financial instability, based on the

theory of financial fragility and financial instability, it expounds on the negative impact of these theories on the financial system, and defines its opposite as financial stability [63].

On a positive note, Sveriges Riksbank took the lead in publishing the "Financial Stability Report" in 1998, which was the first step in the financial community's research on financial stability. In this report, the stability of the public financial system is defined as the safe and efficient operation of the entire payment system. And the Riksbank believes that there are three pillars to ensure the stabilization of the Public financial system. The first is the financial supervision system composed of regulations and decrees, through which individual institutions carry out risk assessment and specific actions to check violations. The second is the central bank's monitoring of systemic risks, and the third is crisis management measures (fig.1.1) [64].

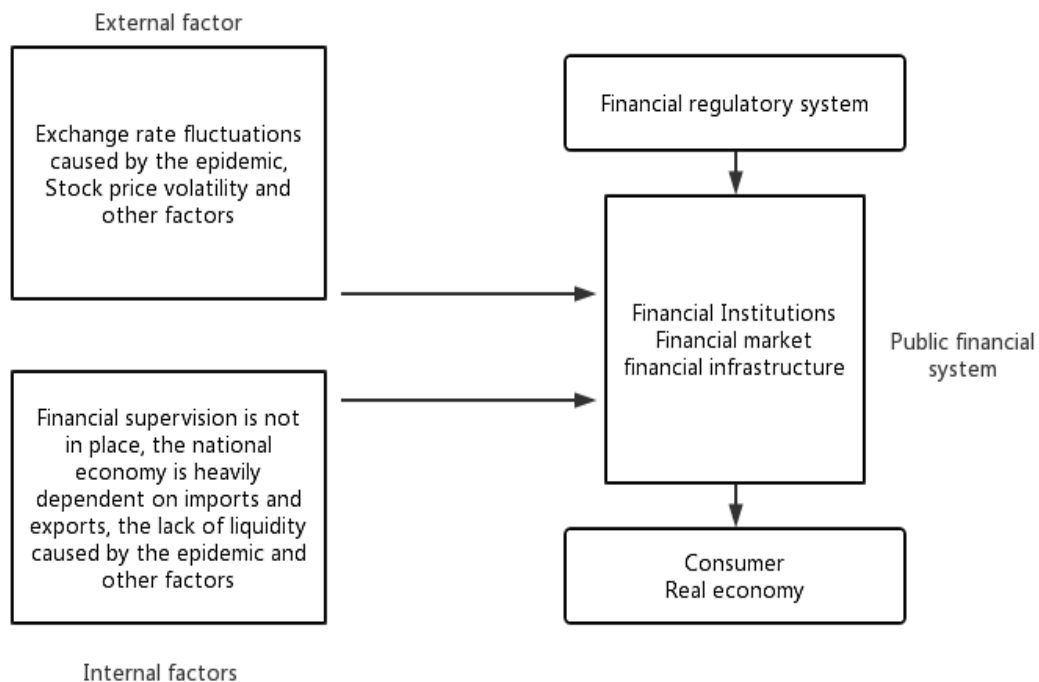


Fig. 1.1 The source and control of systemic risk in the epidemic

Source: compiled by the author

In fact, even if it is also described from the positive aspects of stabilization of the Public financial system, the central banks of various countries have different opinions. For example, Wim Duisenberg of the European Central Bank published a study in 2001 that the stability of the currency refers to the general price level is stable, with neither inflation nor deflation. According to a study published by the Norges Bank in 2003, financial stability refers to the ability of the financial system to be free from the interference of real economic sectors and to normally perform functions such as intermediary capital transactions, payment and settlement, and risk diversification.[62]

Therefore, to summarize relevant research, the positive definition of stabilization of the Public financial system is the stability of the general price level, financial institutions and financial markets have sufficient stability to perform their functions, assess and manage systemic risks, and have A sound financial supervision system enable the stable operation of the public financial system.

Explain from the negative side, that is, by observing financial instability, emphasizing the impact of the public financial system is not stable enough, and studying stabilization of the Public financial system from the opposite of stabilization of the Public financial system. As Issing pointed out in *Monetary and Financial Stability: Is there a Trade-Off*, published in 2003, financial instability is easy to define by many researchers, but financial stability is difficult to define. Therefore, many researchers choose to analyze from the opposite of financial stability, that is, to define financial instability.

Andrew Crockett of the Bank for International Settlements Financial Stability Forum once argued in 1996 that financial stability is the absence of financial instability, and financial instability refers to the negative impact of the real economic sector from the public financial system, such as sharp fluctuations in financial asset prices or the negative impact of the failure of financial institutions. And this definition emphasizes four characteristics of financial instability: (1) The impact of the instability of the public financial system on the real economic sector. (2) The potential negative effects are more

severe than the negative effects exhibited by the entity. (3) The instability of the public financial system may arise from the banking system, as well as from non-bank financial institutions, financial markets or other financial institutions. (4) Banks are not the only objects that need close attention. Any institution, no matter whether it is directly in the payment and settlement system or not, as long as it has a close relationship with the institutions in the payment and settlement system, once it encounters payment difficulties, it will endanger the entire payment system. These institutions need to be closely watched [63].

Federal Reserve Chairman Roger Ferguson argued in "Should Financial Stability Be An Explicit Central Bank Objective?" published in 2002 that for central banks and other monetary authorities, the most useful concept of financial instability is closely related to market failures and externalities that can potentially damage real economic behavior. The financial instability game has three characteristics: (1) the prices of some important financial assets have seriously deviated from reality, (2) the normal operation of the financial market and the number of loanable funds are seriously affected, (3) the total expenditure and the economic production capacity Significant deviation or imminent deviation [63].

Similar to the positive aspects, various scholars have different opinions on the research on the negative aspects of stabilization of the Public financial system. Therefore, to summarize the relevant data, the negative definitions that constitute stabilization of the Public financial system are: financial market The normal operation of the financial system is disrupted, the real economic sector is negatively affected by the public financial system, the impacted public financial system cannot normally perform its ability to allocate funds, and the prices of important financial assets fluctuate sharply, this causes the shock to spread through the public financial system and negatively impact the economy as a whole.

Through comprehensive research on various definitions of the stability of the public financial system, it is found that the research angles of various scholars are

different, but whether it is to emphasize the structure of the public financial system, or to emphasize the function of the public financial system, or other various perspectives, both describe the nature of the stability of the public financial system from different perspectives.

In China, the People's Bank of China first released the "China Financial Stability Report" in 2005 (table 1.1), which emphasized the dynamic stability of the public financial system, it can be seen that the stability of the public financial system by China's central bank, more attention is paid to the continuous and stable functioning of the financial system [64].

Table 1.1

## China Financial Stability Report

China Financial Stability Report	
The stability of the public financial system refers to the state in which the public financial system can effectively perform its key functions	1. The healthy operation of the macro economy
	2. Monetary and fiscal policies are sound and effective
	3. The financial ecological environment continues to improve
	4. Financial institutions, financial markets and financial infrastructure can perform resource allocation, risk management, payment settlement and other key functions
	5. The financial system as a whole can still operate smoothly when it is impacted by external factors

*Source:* compiled by the author

However, no matter from what angle the measures are implemented, the policies implemented by the governments of various countries are aimed at stabilizing the public financial system, so as to allow the stable development of the public financial system. Therefore, the public financial system is dynamic, because the economies of various governments are all Factors such as systemic risks are constantly evolving, and factors

such as systemic risks are constantly changing. Just like this novel coronavirus pneumonia, its particularity has led to the impact of shutdowns on the public financial system, which is different from the previous global financial crisis. The novel coronavirus pneumonia tests not only the financial supervision systems of various governments, but also whether the economic development of each country is healthy. Therefore, governments of various countries also need to analyze the stability of the public financial system from the macro perspective, and consider the entire macro system more, rather than only considering the stability of a certain type of financial institutions. This requires the country to comprehensively consider all walks of life, take steps to avoid systemic risk from volatility in an industry hitting the public financial system.

## **1.2. Forms and instruments of stabilization of the Public financial system**

After the financial crisis, various countries have taken relevant measures to stabilize the public financial system, and in order to prevent systemic risks and improve financial stability, scholars from various countries have conducted relevant research. At present, it is generally believed that there are four main types of policy tools for financial stability in the world: (1) Relatively independent policy tools. (2) Use monetary policy tools to stabilize the financial system. (3) Use financial supervision methods to maintain the stability of the financial system. (4) Use the risk compensation system to maintain the stability of the financial system [64]. Let us consider them in details.

1. *Relatively independent policy tools.* From the perspective of the central banks of various countries, the central bank controls the price level by formulating and implementing monetary policies, and maintains the stability of the public financial system as the lender of last resort. However, with economic globalization and changes in the world economic environment, currency Policy also needs to be improved. In fact,

Keynesianism has made the central banks of various countries focus on how to use monetary policy to suppress inflation and stimulate economic growth. In 1995, Schwarz proposed the "Schwarz Hypothesis", arguing that monetary policy can stabilize prices while achieving the stability of the public financial system, and in 1996 the Federal Reserve also proposed the "Jackson Hole Consensus", which holds that the goal of monetary policy only needs to be Maintained price stability, and this concept once became the guiding principle of macroeconomic policy control in many countries [63].

However, with the development of economic globalization, the monetary policy of the single-target system has long been inapplicable. There have been several large-scale asset bubbles in history, and they all occurred in a period when the inflation level was relatively stable. Some scholars have found that if the single-target monetary policy is in an excessively loose state for a long time, even if the inflation level can be effectively controlled, it will also affect the stability of the financial system in the medium and long term, monetary policy that includes only price stability will induce instability in the public financial system. Therefore, when the government maintains the stability of the public financial system, it is not advisable to only consider the use of monetary policy to maintain price stability. Although the goals of financial stability and price stability are consistent in the long run, governments and monetary authorities still need to be aware of the underlying causes of instability in the public financial system and take relevant measures through comprehensive consideration.

2. *Take advantage of the positivity of monetary policy.* Although the monetary policy of the single-target system is no longer suitable for the current society with rapid economic development, it is worth considering the innovation of monetary policy and using its positive aspects for stabilizing the public financial system. For monetary policy tools, flexible use of existing it can play a certain role in stabilizing the public financial system by increasing the use of monetary policy tools and increasing innovation efforts. By increasing the tools for open market operations, and improving the proficiency of the ability to use deposit reserves and other related

measures, the currency can be effectively improved. Policy tools are used to regulate the efficiency of the money supply, and effective monetary policy can lay a solid economic foundation for the stability of the public financial system.

*3. Improve the financial supervision system and expand the scope of financial supervision.* A sound financial supervision system should include effective financial risk early warning and assessment mechanisms, as well as emergency response plans to deal with fluctuations in the public financial system. Through the prevention of financial risks, the fluctuation of the public financial system due to the untimely response of the state can be effectively avoided. The reason why most of the government's public financial system is affected is that the financial supervision is not in place. A sound financial supervision system is usually the basis for the stability of the public financial system. For example, the excessive leverage ratio of financial institutions will deepen the instability of the entire public financial system, and the negative impact of the new coronavirus pneumonia will increase due to the high leverage of enterprises. Therefore, the government can strictly supervise the leverage level of various financial institutions and stabilize the public financial system. Strengthen the minimum capital limit and improve the absorption capacity of capital for unexpected losses. The emergency response plan formulated can effectively shorten the government's response time, and take timely measures for fluctuations in the public financial system to avoid causing greater risks [62].

It is not enough to improve the financial supervision system. As long as any institution has a close relationship with the institutions in the payment and settlement system, the payment difficulties that occur will endanger the entire payment system and thus have an impact on the public financial system. Therefore, the government needs to strengthen the supervision of the shadow banking system and increase its transparency.

*4. Strengthen international cooperation.* In today's economic globalization, risks are more likely to spread. Therefore, in order to effectively prevent the impact of external factors on the public financial system, it is necessary to build an international

cooperation system for financial regulatory authorities, strengthen the supervision of large multinational financial groups, and establish The international supervision system, strengthen the connection between countries, establish information sharing and close cooperation, so as to enhance the transparency of the financial field of various countries and reduce the impact on the public financial system from the international community [63].

The government has strengthened the stability of the public financial system through a series of measures, which is equivalent to the initial establishment of a framework for the stability of the public financial system, that is, the government's prevention mechanism for public financial system fluctuations, regulatory assessment methods, and emergency response plans. The establishment of the basic framework of financial stability (Fig.1.2) is to analyze and avoid potential risks and vulnerabilities in the public financial system, so as to better stabilize the public financial system [63].

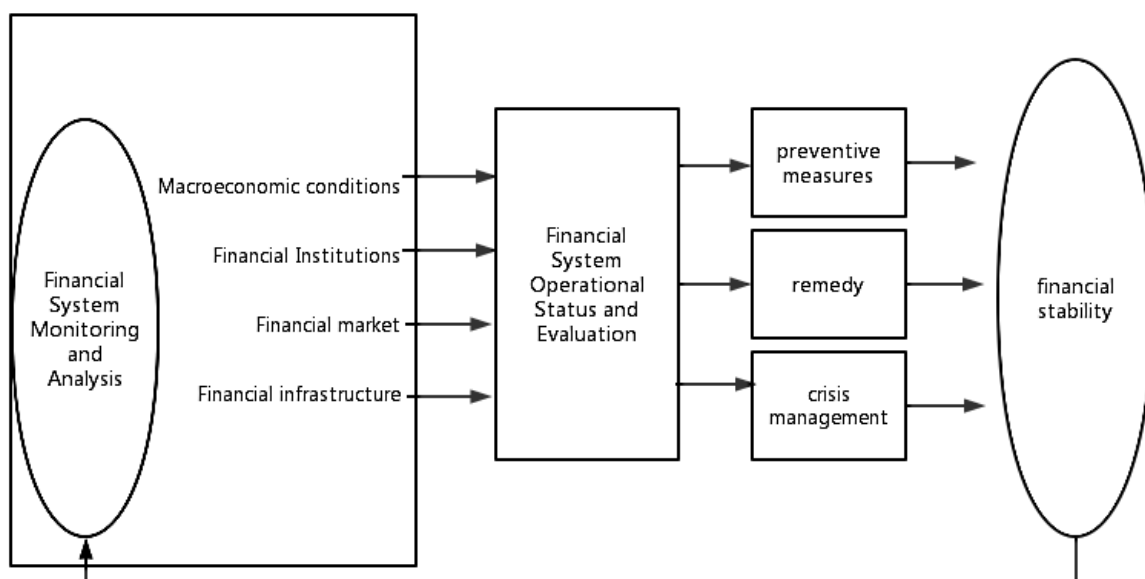


Fig. 1.2. Basic steps to implement a financial stability framework

Source:<https://kns.cnki.net/kcms/detail/detail.aspx?dbcode=CDFD&dbname=CDFD1214&filelen=1014292541.nh&uniplatform=NZKPT&v=CfYqbrvGKUjFXTLMeuVMN0LFPbi3ClOiK2Esxv-fpdhm84TPDt-VsLnrBXGvcD8Y>

Therefore, monetary authorities need to establish and implement a financial stability framework, covering as much as possible all the factors that will have an impact on the public financial system, and analyze the instability in the public financial system, and combined with the actual situation of the country, put forward a relevant and reasonable asset portfolio. However, it is worth noting that under the basic framework of financial stability, since the state of the financial system is defined as a continuous process, the response policies adopted at each stage of the continuous process are different.

### **1.3 The impact of the epidemic on the stability of the public financial systems of various countries**

During the spread of the epidemic, people's lives and properties were seriously affected, and a large number of countries stopped work and production, and almost no countries were spared. The impact of the epidemic on global financial stability is very huge, which is like a stone pressing on the global financial system. According to data, in 2020, the global economy will drop by 4.4%, the total GDP will be reduced by 3.91 trillion US dollars, many countries have suffered serious damage, and unemployment has risen sharply. It is conceivable that in today's economic globalization, the instability of the public financial systems of various countries will lead to what kind of disasters, but whether this will further escalate into a global financial crisis still needs to be explored [1].

The epidemic has spread rapidly across the country, because there are many countries that have suffered serious losses from the epidemic, and through these countries, we can naturally understand more clearly the importance of implementing relevant policies and measures in the face of the epidemic. And the losses are not only in the United States, Japan and other countries that will be analyzed next, but also many countries and all walks of life have been hit.

According to data released by the United Nations World Tourism Organization on January 28, 2021, the new crown epidemic has led to a significant reduction in the number of global tourists, and the global tourism revenue in 2020 will lose 1.3 trillion US dollars, becoming the "worst year in the history of tourism". The global tourism industry lost "more than 11 times" the revenue it lost last year due to the financial crisis in 2009, putting 100 million to 120 million jobs directly related to tourism at risk [4].

For example, France, just in terms of tourism, has suffered huge losses. Taking China as an example, there are about 2.2 million people who travel to France every year, and the average stay is more than 5 days. From these figures, let us actually take a look at the spending power of Chinese tourists in France. According to statistics, in 2019, Chinese tourists accounted for 32% of the consumption in French duty-free shops. In 2018, Chinese tourists spent 265 million euros on luxury goods in Paris. France has also made a lot of efforts to catch Chinese tourists. For example, there are a lot of Chinese shopping guides in French shopping malls, and there is no obstacle to communicating in Chinese even after entering. However, the emergence of the epidemic has not only cut off flights, but also greatly reduced the expectations of tourists to travel. During the SARS epidemic in 2003, the number of arrivals in the Asian market dropped by 1.7 million, and the business volume lost nearly 200 million euros. Today, with the rapid development of the economy and the close connection of the global economy, France's losses will only be more serious [4].

However, the impact of the epidemic on the global economy, we should not only stay in the tourism industry, but also pay attention to serious issues such as unemployment. Although the tourism industry also reflects related problems, the impact of the epidemic is even more profound.

#### **1.4. Models of stabilization of the financial system in the context of world experience**

World experience suggests the existence of different models for stabilizing the Public Financial System. It is interesting and important to take into account the developed countries - the USA, the United Kingdom and Japan.

##### *1. The impact of the epidemic on the stability of the US public financial system.*

When it comes to the impact of the epidemic on a global scale, it is natural to focus on the world's largest economy, and the impact of the epidemic on the US economy is very serious.

The new type of coronavirus pneumonia has caused a structural impact on the economic demand side of the United States. All parts of the country have stopped work and production, and the unemployment rate has also risen sharply, resulting in a large shortage of labor. Therefore, the new type of coronavirus pneumonia has the most obvious impact on the US economy. The impact is still reflected in the unemployment rate. As the world's largest economy, the last time the United States experienced a surge in unemployment was during the financial crisis. According to relevant data, before the outbreak of the new coronavirus pneumonia, that is, in February 2020, the unemployment rate in the United States was only 3.5%, but after the outbreak, in April 2020, the unemployment rate in the United States rose to 14.8% in just two months, and this is also the United States. The U.S. unemployment rate fell to 8.4 percent four months later, the highest unemployment rate since 1948. Although the U.S. economy is gradually recovering, the negative impact of the epidemic on the U.S. economy is still affecting the United States. On April 13, 2020, the International Monetary Fund published a forecast in the World Economic Outlook that the U.S. economic growth rate in 2020 will be -5.9%, which is lower than the world average of -3.0%. The chart below shows the US GDP growth rate in recent years (fig.1.3) [33].

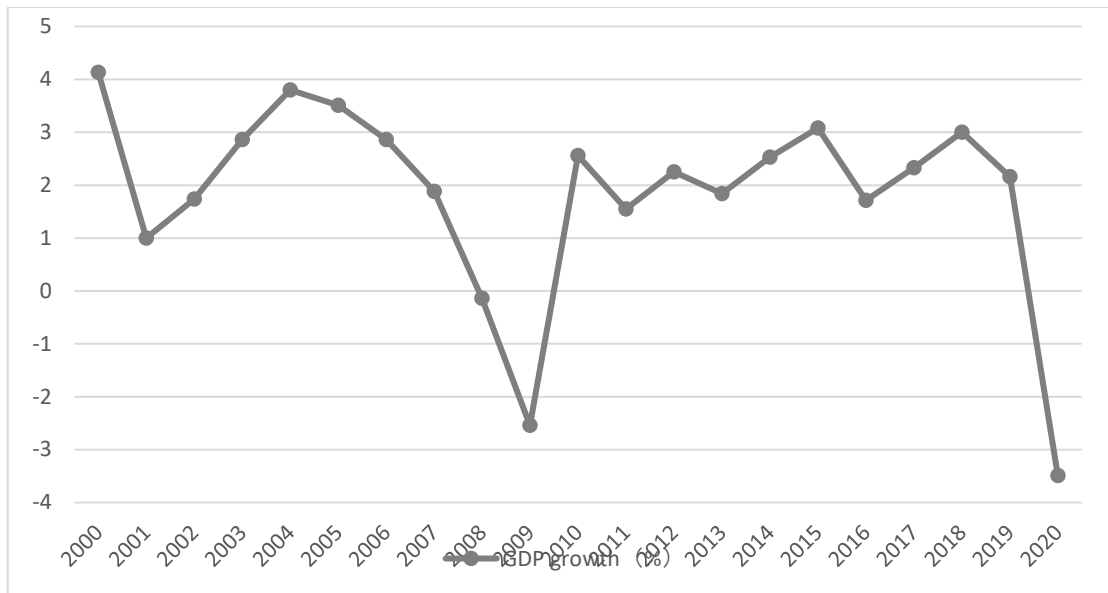


Fig. 1.3. U.S. GDP growth rate and rate of change from 2000 to 2020

Source: <https://www.macrotrends.net/countries/USA/united-states/gdp-growth-rate#:~:text=U.S.%20gdp%20growth%20rate%20for,a%200.62%25%20increase%20from%202016.>

The primary reason for this consequence is of course the serious external factor of the new coronavirus pneumonia. The spread of the epidemic has led to the spread of panic among the masses. The shortage of disinfection products, canned food and other emergency supplies across the country is also accompanied by panic. The spread is intensifying, although the Trump administration has taken relevant measures, such as on March 18, 2020, the Trump administration took relevant measures to use the Defense Industrial Production Act of 1950 to empower the federal government to mandate Private companies to produce or provide services in response to the outbreak, on March 27, 2020, the Trump administration signed the "Defense Production Act" executive order, requiring General Motors to urgently produce ventilators to fill related gaps, and on April 8, the United States The Ministry of Health and General Motors signed a contract for the production of 30,000 ventilators, with a total value of nearly 500 million US dollars, but according to the current situation, these measures have not significantly reduced the structural improvement on the demand side [33].

Due to the shutdown of production across the country and the sharp rise in the unemployment rate, it is conceivable that the US stock market has suffered a severe impact. On February 26, the Dow Jones Index fell by 1031 points, a drop of 3.56%, and then even more with the experience of four circuit breakers in ten days, we also mentioned before that the large fluctuations in stock prices mean the generation of market panic, and this is also the best predictor of banking crises in developed economies. This time, the novel coronavirus pneumonia has brought about large fluctuations in stock prices in many places around the world, and whether this will evolve into a global financial crisis still requires detailed analysis.

When it comes to the United States, I have to talk about the GDP of the United States. This time, the new coronavirus pneumonia has brought about the largest contraction of the GDP of the United States since World War II, and consumer spending has declined. Nearly 3.9%, because consumer spending accounts for as high as two-thirds of the U.S. economy, the impact of the epidemic has affected almost every ordinary American. However, the United States still made corresponding efforts to this end. Before the epidemic, the federal funds rate in the United States was 1.5% to 1.75%. In order to stimulate the economy, not only the federal government allocated a large number of stimulus funds, the Federal Reserve announced on March 3, 2020 to During March 16, the federal funds rate was also lowered to 0% to 0.25%. The lowering of interest rates can make the economy recover faster, and because the lowering of interest rates indirectly reduces the capital cost of enterprises and reduces the financial expenses of enterprises, and increase the investment rate, which will not only improve the financial situation of all walks of life, reduce the number of bankrupt enterprises, but also stabilize the public financial system of the United States [5].

And this is the negative impact of the new coronavirus pneumonia on the U.S. economy. With the sharp rise in unemployment, the large fluctuations in the stock market, and other aspects, the negative impact of the epidemic has affected almost every

ordinary person. Americans, and the turmoil in the U.S. public financial system is bound to spread to other countries like watermarks.

*2. The impact of the epidemic on the stability of Japan's public financial system.*

Since February 3, nearly 700 confirmed cases have been found on the "Diamond Princess" cruise ship in Japan, and all walks of life in Japan have also been affected by the epidemic. The new coronavirus pneumonia has caused damage to Japan's public financial system.

Since the spread of the epidemic, it has affected the lives and economic situation of the Japanese people in many ways. Although the Japanese government has implemented the policy of working from home and taking turns to work in a timely manner in order to ensure the minimum spread, so that the home working and off-peak working originally formulated to ensure smooth traffic during the 2020 Tokyo Olympics can be advanced and further expanded in the case of the spread of the epidemic. But this has not eased the pressure of the epidemic on Japan's economy.

The loss of Japan's tourism industry is huge. According to the analysis of the Japan Tourism Bureau, Chinese tourists to Japan account for more than 30% of the total tourists, and it is pointed out that not only the reduction of Chinese tourists, but also the number of tourists from Europe and North America will further decrease, Therefore, the number of tourists visiting Japan in the first quarter is expected to decrease by more than 40%. Therefore, it is estimated that the revenue from tourism alone will decrease by 624.4 billion yen, the retail industry such as department stores and drug stores will decrease by about 238.9 billion yen, and the accommodation will decrease by about 171.9 billion yen. Tourism is expected to be hit hard in the first quarter. And with the postponement of the Olympics, and the fact that Japan's tourism industry is still losing some of its potential revenue, the actual loss will only be amplified [4].

Therefore, experts predicted in the first quarter of 2020 that Japan would experience negative GDP growth in the fourth quarter of 2019. Growth rates are likely to turn negative again due to the impact of the 2020 pandemic-induced damage to

tourism and possible factory shutdowns. This is indeed the case, and even more so, in 2020, Japan's growth rate has reached the steepest decline in GDP growth since the 2008 financial crisis of -4.6% (fig.1.4).

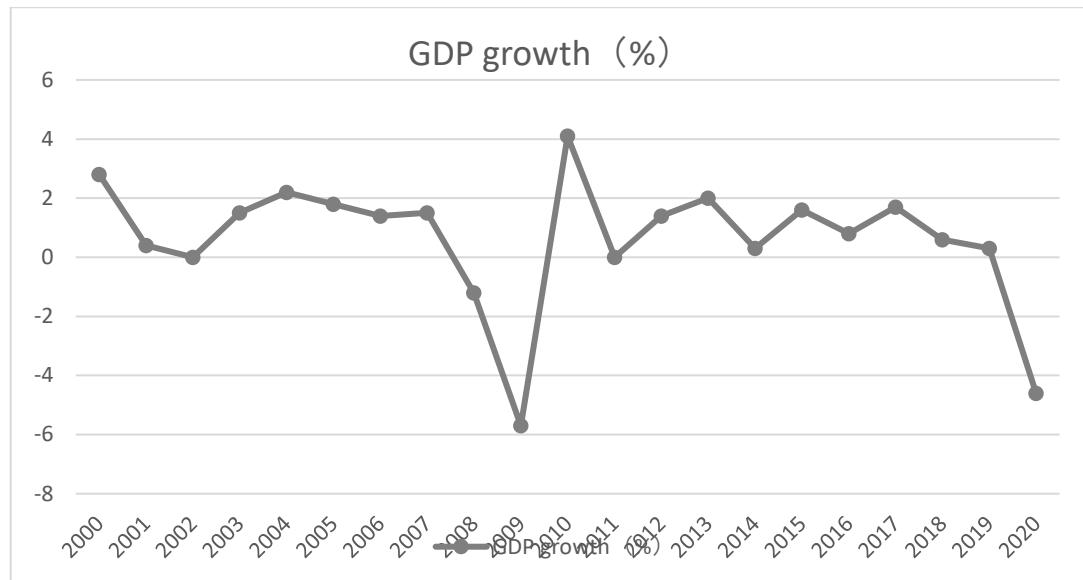


Fig. 1.4. Japan's GDP growth rate from 2000 to 2020

Source: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2020&locations=JP&start=2000>

The impact of the epidemic on each country is similar. The stock market in the United States has suffered a severe impact, and Japan will also face the same situation. According to Japan's "Asahi Shimbun" report on February 28, the Nikkei has fallen for 4 consecutive trading days. Moreover, overseas investors are not optimistic about Japanese stocks and short-sell stocks. And this does not only consider the impact of the epidemic. Japan has increased consumption tax before the arrival of the epidemic, and the Tokyo Olympics may be postponed due to the epidemic. Therefore, all external factors have led to investors from all over the world not being optimistic about Japanese stocks.

Another reason for the poor economic data in Japan is the rapid decline in household consumption caused by the epidemic. When the epidemic in Japan was more serious, many places in Japan also implemented a state of emergency, people did not

go out unless necessary, and many industries such as catering also shortened After business hours, consumer spending accounts for two-thirds of the U.S. economy, while personal consumption in Japan also accounts for more than one-half of the Japanese economy. The negative impact of the epidemic has seriously disrupted Japan's public financial system [10].

On November 15, 2021, the Japanese cabinet released relevant information. Preliminary statistics show that in the third quarter of this year, Japan's GDP fell by 0.8% month-on-month and 3% at an annual rate, which shows that Japan's economy is shrinking, and this data It also shows that the Japanese economy has contracted in five of the past eight quarters, and excluding the low point during the epidemic, Japan's real GDP has reached its lowest level since the end of 2014, not only because of the tourism industry caused by the new coronavirus pneumonia had damage, lower household consumption and capital flight, and also because of the shutdown of all walks of life caused by the epidemic, including the impact of the epidemic on other countries, which affected Japan, that is, the epidemic The impact on the global supply chain, such as the global chip shortage caused by the epidemic, and Japan also suffered due to the shortage of chips, the three major car companies either stopped production or reduced production. Among them, Toyota, Japan's largest car company, has reduced its domestic production by 60% from August to September, and will continue to reduce production by 40% in October. The cut in auto production directly led to a 3.8% decline in Japanese business investment and a 2.1% decline in exports in the third quarter. And this is only the automotive industry, and other industries have also suffered more or less negative effects due to the epidemic [20].

In order to recover the economy, the Japanese government submitted the highest supplementary budget in history. According to data, on December 6, 2021, the 207th Japan Provisional Congress opened. According to Kyodo News, the Japanese government submitted a supplementary budget for the fiscal year 2021 to the Diet on the same day, with a total expenditure of nearly 35.99 trillion yen, which is the largest

supplementary budget in Japan's history, of which 60% will be issued through the issuance of government bonds way to raise funds. While the pandemic is the main reason for the sharp rise in the Japanese government's budget, the budget is not primarily dealing with the devastation caused by the pandemic, as the number of new infections in Japan had fallen to the lowest level since the summer of 2020 when the budget was submitted. The main reason for this high budget is that the economic situation in Japan is still severe. When the epidemic situation improves, we should seize the opportunity to resume social-economic activities as soon as possible, so as to reduce the subsequent negative impact caused by the new coronavirus pneumonia and stabilize the country's public financial system.

This is the impact of the novel coronavirus pneumonia on the stability of Japan's public financial system, which not only affected the sharp reduction in the growth rate of GDP, but also brought serious negative effects to various industries and foreign capital. Timely, but still can not avoid the negative impact of the epidemic, and even let the shadow of the epidemic continue to the present.

*3. The possibility that the epidemic will lead to a global financial crisis.* When the new coronavirus pneumonia spreads, the stock markets and bonds of various countries fluctuate greatly. As the world's largest economy, the public financial system of the United States has also suffered a severe impact. It can usually be used as an indicator to predict the global financial crisis, but this time, will the stock market volatility and GDP contraction caused by the epidemic develop into a new round of global financial crisis? Even some countries have not recovered from the latest global financial crisis, so do we need to take some precautions? These issues require detailed analysis.

According to data, US stocks triggered the second circuit breaker mechanism in history on March 9, and all three major stock indexes fell by more than 7%. Global stock markets simultaneously fell sharply, and the yield on the 30-year U.S. Treasury bond slipped to a record low of 0.836%. Moreover, due to the shrinking demand for

crude oil caused by the epidemic, and the failure of major oil-producing countries to reach an agreement to reduce production, the price war started, and the price of oil plummeted.

Bonds, currencies, and stock markets are important financial indicators, and their sharp fluctuations are also a precursor to financial crises. Moreover, the United States, Japan, and Europe, as the world's major developed economies, are facing a recessionary trend. Moreover, due to the global nature of a crisis, some countries will lack effective policy tools. Therefore, some countries will fall into a "liquidity trap".

However, whether this new coronavirus pneumonia will trigger a global financial crisis, I think it is possible, but unlikely. Before the epidemic, the global economy had actually fallen into a slump with weak growth, and due to the deepening of global trade barriers and even the "Brexit" of the United Kingdom, a series of reasons were the main reasons for the slowdown in economic growth. Although it is part of the reason, and the timing of its appearance is more like a "fuse", although the impact of the epidemic on the global financial system is severe, if it may lead to a global financial crisis, it can only show the importance we attach to it. Obviously too big, and let the epidemic itself bear too much responsibility. If a financial crisis occurs, it can only mean that some countries with international influence did not respond in a timely manner and lacked corresponding policy tools, so that the epidemic affected the fundamental stability of their own public financial systems, leading to economic turmoil, which led to a series of disasters. Because of the current economic globalization, the market performance is very sensitive due to other factors such as insufficient global economic growth momentum, limited policy space, and high market valuations in the early stage. Volatility can be easily triggered [11].

And many scholars have also made relevant research. For example, Mike Pyle, the global chief investment strategist of BlackRock, the world's largest asset management company, once published a report saying that the full outbreak of the new coronavirus pneumonia is more similar to a large-scale Natural disaster, as long as

governments take decisive and comprehensive fiscal and monetary responses, the shock will not fundamentally change the trend of global economic growth. The report pointed out that although the full-scale outbreak of the new coronavirus pneumonia has caused a severe and profound impact on the economy, it is only a large-scale natural disaster. Markets, like the 2008 global financial crisis, have been in a state of panic over the shock to the economy. While there are some similarities, BlackRock believes today's crisis is not the same as in 2008. Although the new type of coronavirus pneumonia has caused countries around the world to stop production and production, which has greatly reduced economic activities, but this only requires countries to come up with effective fiscal and monetary policies in a timely manner, and take relevant countermeasures, then this shock will not be affected. It will fundamentally change the growth trend of the global economy. And the American "Harvard Business Review" also published an article in March 2020, pointing out that the recent panic in the financial market is misleading, and the risk of a financial crisis and economic recession caused by the new coronavirus pneumonia is low [20].

However, the possibility of a global financial crisis due to the epidemic is low, so is there no need to take relevant measures? I think it is still needed, because the impact of the novel coronavirus pneumonia on the public financial system is severe, and even the damage caused can be compared to the global financial crisis. And the onset of the global financial crisis is unpredictable, and perpetual sensitivity to it is a must.

Therefore, the possibility of a global financial crisis caused by the epidemic is low, but each country needs to be sensitive to the financial crisis and take relevant measures, among which the stability of the public financial system is a must.

## SECTION 2

### CURRENT STATE AND ASSESSMENT OF THE RESULTS OF STABILIZING THE FINANCIAL SYSTEM

#### **2.1. Qualitative analysis of the impact of the epidemic on China's three major industries**

Since the spread of the epidemic, China's economy and society have been severely affected. All parts of the country have been shut down due to the epidemic, and even some aquaculture industries have been banned due to the epidemic. Moreover, due to the transmission mode of the new coronavirus pneumonia, residents are not willing to go out. As well as lower consumption expectations, tourism, catering and other service industries have been hit very hard, and the reduction in demand will inevitably have a negative impact on productivity, while the increase in inventory and other reasons will be led to a decrease in liquidity, and the epidemic in China occurred near the Chinese Spring Festival, which broke out at the time of the year when consumer demand was the strongest, and the inventory accumulated by merchants in order to face the strong demand increased the possibility of a liquidity crisis in China. It is conceivable how seriously the three major industries have been affected. Moreover, China's economy is connected to the world, and a significant reduction in demand will seriously affect the external sector. It can be seen that the epidemic has made a violent impact on the stability of China's public financial system.

However, in October 2020, the International Monetary Fund released the "World Economic Outlook Report" to predict that China's GDP will grow by 1.9% in 2020, making it the only major economy in the world to achieve positive growth. China's annual real economic growth rate was 2.3%, and the total economic volume exceeded 100 trillion yuan for the first time [11].

China's performance in the epidemic is relatively good. Therefore, it is necessary to analyze China's measures in the face of the epidemic. Although the experience is difficult to imitate, it is necessary to analyze and combine its own national conditions to obtain measures suitable for each country, so as to stabilize the public financial system. It is advisable to do so. Let us consider the impact of the epidemic on the primary and secondary industries.

*1. The impact of the epidemic on the primary industry.* The impact of the epidemic on China's agriculture is comprehensive and profound. Although the spread of the new coronavirus pneumonia has a limited negative impact on the primary industry, it is only in comparison with the losses of other industries. The proportion of industry in the total GNP is only 7.1%, and the growth rate of the primary industry is only about 3%. However, this is also based on the timely response of the Chinese government and effective measures, and does not mean that the losses caused by the epidemic are not serious [3].

In the short term, due to China's strict control of the epidemic, the staggered sowing period, the limited affected area, and the well-ventilated and open space for sowing operations, important behaviors such as sowing have not been seriously affected. Impact. Therefore, the negative impact of the epidemic on the primary industry is mainly reflected in the liquidity of materials, mainly in the slow-selling of fresh products such as fruits and vegetables, and the aquatic products and other industries. The main reason is that the demand for residents has decreased due to the epidemic.

In the long run, the negative impact of the epidemic is mainly concentrated on large-scale business entities and the prices of agricultural products. Due to the foreign epidemic, the import and export of chemical fertilizer raw materials and agricultural products will be affected. Due to the problem of communication, large-scale business entities may lack labor, and the supply of raw materials is tight, and the market demand for products has declined due to the epidemic. Therefore, it is necessary to provide

policy support to agricultural enterprises to avoid chain impacts on related industries. It may even have a negative impact on employment and economic development.

These impacts require the Chinese government to respond in a timely manner to ensure a stable market supply of agricultural means of production, and attach importance to the recovery of the production capacity of relevant agricultural business entities to ensure stable prices of agricultural products. The Chinese government has done the same. During the epidemic, the government actively launched green channels, and announced the minimum purchase price of rice in advance in 2020. Indica rice increased by 1 cent per catty compared with last year, and the price of japonica rice remained the same. Doing so has released the signal that the country attaches importance to agriculture to stabilize food prices, but it is far from making up for the increase in production costs and market fluctuations caused by the impact of the epidemic. For relevant agricultural business entities, it is necessary for government departments to implement special support for financing of new agricultural business entities after the epidemic, to prevent a large number of bankruptcy and bankruptcy from the broken capital chain, and to prevent systemic risks from being induced. Start agricultural insurance compensation in a timely manner to make up for related losses caused by the epidemic, and help new agricultural business entities to resume reproduction [6].

2. *The impact of the epidemic on the secondary industry.* During the epidemic, the secondary industry was seriously damaged. Due to the transmission mode of the new coronavirus pneumonia, there was a shortage of labor. For labor-intensive industries such as the textile industry and clothing industry, the lack of labor may even lead to shutdowns. Therefore, the first and the secondary industry is generally faced with the problem of insufficient labor, and has the same raw material supply problems as the primary industry, shortage of funds and other problems, and these problems will lead to serious damage to the secondary industry.

However, the most serious negative impact of the epidemic on the secondary industry is the short-term impact. As mentioned earlier, labor-intensive industries have a large demand for labor, coupled with production equipment and site rental issues. The daily capital cost is very huge, and the impact of the shutdown of production is very large, but the resumption of work brings the risk of the spread of the epidemic, so how to help labor-intensive industries overcome the difficulties of shutdown and production, and how to be safe the resumption of work needs to be focused on by relevant government departments. It is also worth noting that there are also some labor-intensive links in technology-intensive industries, such as precision grinding and polishing of optical devices, packaging and testing links in the semiconductor industry, etc., which require a lot of human input. Therefore, the impact of the epidemic on the secondary industry, although it is impossible to generalize, it is generally similar [11].

In terms of import and export, it will also have a large negative impact. Due to the lack of raw materials and labor, the productivity of enterprises will be reduced, so some large orders will be difficult to complete, resulting in default. Moreover, the epidemic has a greater impact on export-oriented industries, which not only causes damage to economic interests, but also risks losing customers. According to statistics from the General Administration of Customs of China, China's exports in 2019 were 17.23 trillion yuan, a year-on-year increase of 5%. Data from the National Bureau of Statistics shows that in 2018, my country's total exports of commodities reached US\$2,486.682 billion, a year-on-year increase of nearly 10%. Chinese industry has made a huge contribution to these amounts and growth, mainly in the electromechanical, electrical and electronic, machinery, textile and other industries. In 2019, China's exports of mechanical and electrical products reached 10.06 trillion-yuan, accounting for 58.4% of the total export value. Industry occupies a prominent position in my country's imports and exports. The reduction in productivity due to the epidemic will affect the supply situation. Although it seems that this is only a short-term impact, it will cause a backlog of goods in the previous season and a new lag in the production of

products in the next season. International orders There is a risk of transfer to other countries [13].

However, the impact of the epidemic on the secondary industry has also had a positive impact to a certain extent. Due to its particularity, the epidemic has led to a substantial increase in the demand for medical supplies, and the lack of labor is conducive to accelerating the level of enterprise intelligence and opportunities for business transformation.

Therefore, the spread of the novel coronavirus pneumonia brings opportunities and challenges to the secondary industry, and the Chinese government needs to implement timely measures to deal with and seize the opportunities. On February 8, 2020, the State Council issued the "Notice on Effectively Strengthening the Scientific Prevention and Control of the Epidemic and Doing a Good Job in Resuming Work and Production for Enterprises". And support the establishment of a cross-regional coordination mechanism. Encourage multi-enterprise cooperation, branch enterprise transfer and other ways to carry out off-site production. This also reflects the country's emphasis on the secondary industry and the restoration of productivity. Among them, the focus is on ensuring the recovery of the production capacity of medical protective materials and living materials, which also lays the foundation for the surge in demand for medical materials brought about by large-scale resumption of work in the future. And taking the epidemic as an opportunity, to strengthen policy guidance, promote industrial layout adjustment, hedge the risk of enterprises relocating, and promote the process of enterprise intelligence, so as to alleviate the pressure caused by labor shortage. And in order to face the financial pressure brought about by the epidemic, policies and measures such as unemployment insurance refunds, postponing social security payments, subsidizing training expenses, and increasing credit lines have been introduced across the country, and these measures have also eased the financial pressure faced by small and medium-sized enterprises, avoid bankruptcy and business closures caused by the epidemic, and avoid a sharp rise in unemployment to a greater extent, so

that the impact of the epidemic on the secondary industry will affect the stability of the national public financial system [20].

It can be seen that although the epidemic has a serious impact on the secondary industry, it is also an opportunity. When the country responds in a timely manner, the impact of short-term shocks can be reduced, and policy guidance can even be used to optimize the industrial layout, promoting the development of enterprises towards high-quality enterprises.

3. *The impact of the epidemic on the tertiary industry.* First of all, the epidemic has a negative impact, but at the same time it is challenging and brings new opportunities. Let's consider them in details.

*a) negative impact of the epidemic.* According to a report by China First Financial Consulting Information, China's overall development index consists of four sub-indices (health index, education index, living standard index, social environment index), and 10 of the 15 monitoring indicators are Positive growth, 8 growth rates exceeded the total index growth, and 5 showed negative growth. Among the indicators of negative growth, the ratio of the added value of the tertiary industry to GDP dropped by 12.91. This reflects the greater impact of the new crown epidemic on the tertiary industry [17].

Therefore, the spread of the new coronavirus pneumonia can be said to have the most serious impact on the tertiary industry. The tertiary industry includes transportation, catering, wholesale and retail activities, leasing activities and other industries. The particularity of the epidemic makes most of the Service activities have been stopped, especially in tourism, catering and other industries, and the spread of the epidemic happened around the Spring Festival. The peak consumption season of the Spring Festival was missed, and the losses were very serious. This is very important for the tertiary industry. It's also a hit. According to relevant data, the tertiary industry accounted for 53.9% of my country's GDP in 2019, and residents' consumption demand for entertainment and leisure is even stronger. Taking the box office as an example, the box office revenue during the National Spring Festival holiday in January was only 100

million yuan, compared to 100 million yuan. The 2019 Spring Festival box office revenue was 5.83 billion yuan, down 98.3% year-on-year. It is conceivable that the impact of the epidemic on the tertiary industry has seriously jeopardized the stability of China's public financial system, and China, as the world's largest exporter of commodities, has also reduced or even suspended exports from China due to the epidemic. Imports of goods associated with the epidemic have a huge impact on China's exports, and this is even worse.

According to the "Online Conference of "China Tourism Economy Blue Book No. 12" held by the China Tourism Academy on February 20, 2020, the China Tourism Academy has made research-based calculations based on the impact of the epidemic on the tourism economy. In the first quarter and the whole year of 2020, the number of domestic tourists increased by 56% and 15.5% respectively, and the number of tourists decreased by 932 million year-on-year; domestic tourism revenue increased by 69% and 20.6% respectively, with a decrease of 1.18 trillion yuan for the whole year. And this is only the tourism industry. There are many industries that have suffered heavy losses, such as the catering industry. Jia Guolong, founder of the well-known catering company Xibei Catering Group, said in an interview with the media, "The epidemic has caused more than 20,000 employees to be unemployed. However, according to the national policy, wages should continue to be paid, and the monthly expenditure is about 150 million yuan, and Xibei's current cash flow is only enough to support 3 months." And according to the survey of Professor Zhu Wuxiang, 29.58% of the respondents estimated that the epidemic has led to a drop of more than 50% in operating income this year. 22.43% of enterprises plan to reduce staff and pay to tide over the difficulties, 21.23% of enterprises prepare loans, and 16.20% of enterprises choose to suspend production and go out of business. It is conceivable that this is still the case for large enterprises, and it is even more difficult for small and medium-sized enterprises. If the financial pressure brought about by the epidemic leads to bankruptcy, then the

fluctuation of the tertiary industry will have a serious negative impact on China's public financial system [45].

Therefore, the Chinese government needs to pay attention to the impact of the new coronavirus pneumonia on the tertiary industry, introduce relevant subsidy policies, and seize the retaliatory consumption brought about by the epidemic, implement measures for the recovery of the economy and the stability of the public financial system. The Chinese government has also introduced many subsidy policies to support the development of enterprises during the epidemic. For example, the Chinese government has implemented precise policies to fully assist the distressed enterprises. The Chinese government has established a timely support mechanism for enterprises to resume work and production, and sorted out the industries that have been severely affected by the epidemic. List of private small and medium-sized enterprises on the verge of bankruptcy. Actively connect with relevant departments, and assist the government to carry out targeted support according to the degree of damage. For example, the Xibei Catering Group mentioned above, because it is relatively important in the catering industry and its scale is relatively large, the impact it receives is also very serious. Beibei Catering Group provides a set of comprehensive credit and financial service solutions, and in just a few days, 120 million yuan of working capital loans were credited to Xibei Catering by Shanghai Pudong Development Bank. Xibei Catering Group is not a special individual, except for In addition, many severely damaged companies have had the help of the Chinese government to overcome the difficulties caused by the epidemic, and China has greatly reduced the actual losses caused by the epidemic, and it has also stabilized to a certain extent. China's public financial system.

In addition to the targeted subsidy policy, the Chinese government has also brought relevant financial policy support such as fiscal discount support for corporate loans that are key to the prevention and control of the epidemic, and provides preferential interest rate credit for companies that have suffered serious losses during

the epidemic, thereby providing funds for related companies. pressure, and actively help small and micro enterprises and individual industrial and commercial households in distress, and the timely and effective policies implemented by the Chinese government during the epidemic have also greatly reduced the losses caused by the epidemic, and contributed to the recovery of the local economy after the epidemic. lay the foundation.

*b) opportunities brought by the epidemic.* The new coronavirus pneumonia has brought a violent impact on the tertiary industry. However, we must be aware of the particularity of the tertiary industry itself, including not only offline industries, but also online industries. Residents' travel is restricted, but this also brings opportunities for the online economy on the other hand.

During the epidemic, due to the growth of people's demand for entertainment, the online market has expanded rapidly, which has led to the rapid development of the online economy. For example, the Himalaya platform has actively invited art galleries and museums across the country to settle in, creating a "sound museum" and connecting offline the space is directly moved online, attracting a large number of users to use. According to relevant data, the revenue of the Himalaya platform in the first quarter of 2020 increased by 32%, and the playback volume of entertainment and leisure content increased significantly. And video software such as bilibili is very popular, and the number of downloads and users has increased significantly. And in addition to video software, the income of the game industry is growing rapidly, and the number of people online is also increasing. According to relevant data, the consumption of young people born in the 1995s increased by 270% from January to April 2020, and computer consumption increased by 270%. 35%, mobile phone consumption has increased by nearly 30%, and game equipment consumption has increased by 40%, which also shows that the online economy is accelerating the replacement of the offline economy.[6]

And according to relevant information, education has become the most worrying issue for the people due to the epidemic, because related educational facilities such as

epidemic schools cannot operate normally. Although there is online teaching, the quality of students' learning will be significantly reduced in schools. The postponement of the start of school due to the epidemic in all parts of the country has also caused the scale of the online education market to continue to expand, and the online education platform has also achieved rapid development.

The distribution and logistics industry has benefited the most from the online economy due to the epidemic. From January to November 2020, the national online retail sales reached 10,537.4 billion yuan, an increase of 11.5% year-on-year, and 0.6 percentage points faster than that from January to October; among them, physical goods Online retail sales increased by 15.7%, accounting for 25% of total retail sales of consumer goods. The epidemic brought about not only short-term development, but also users and a consumption habit. The user groups brought to online sales during the epidemic have benefited for a long time [6].

Therefore, the negative impact of the new coronavirus pneumonia on China's public financial system has been hedged by the online economy to a certain extent. While the real economy has been damaged, it has also brought rapid development to the online economy. Education, online entertainment, online sales and other industries have begun to develop rapidly. Therefore, it is very necessary to use the online economy to make up for the losses caused by the epidemic to a certain extent. Government departments also need to seize this opportunity to stabilize the country's public financial system.

*4. The importance of preferential tax policies for the three major industries in the face of the epidemic.* Among all the policies, the most important and most effective is the preferential tax policy. Taxation is a means for the state to adjust social and economic activities. The government can use the tax policy to stabilize the social economy. It is crucial to adopt preferential tax policies for damaged industries. Preferential tax policy refers to a special provision implemented by the government to

encourage and take care of some tax objects by way of reduction or exemption or even exemption.

5. *China's preferential tax policies.* The novel coronavirus pneumonia has had a serious negative impact on all walks of life, and all parts of the country have stopped work and production. In order to cope with the epidemic and help enterprises overcome the difficulties, the state has formulated 28 preferential tax policies in 2020, it covers five aspects: supporting protection and treatment, supporting material supply, encouraging public donations, supporting the resumption of work and production, and stabilizing foreign trade expansion and domestic demand. From the number of preferential tax policies, we can clearly know that the Chinese government attaches great importance to tax incentives, which can also explain the importance of using tax incentives to face the epidemic and ease the pressure on various industries. In addition, targeted support is provided for severely damaged industries, such as the film industry, which includes the exemption of value-added tax for film projection services. In addition, there is also policy support to increase the export tax rebate rate in import and export trade [48].

The main beneficiary groups of China's preferential tax policies are individuals, individual industrial and commercial households, enterprise units and other damaged parties. Policy support is provided through the main damaged aspects of each damaged subject, and while reducing the burden on enterprises, it ensures the normal life of residents, and the effectiveness of the policy is linked to whether the policy is introduced in a timely manner. According to relevant data, from February 1, 2020 to February 6, 2020, the Chinese government issued 12 preferential tax policies, which also the relevant policies have quickly adjusted the economic counter-cyclical effect, and the Chinese government is also very strong in tax incentives. Enjoy the reduction and exemption of various taxes and fees such as value-added tax, periodic social security fee reduction and exemption, incremental tax refund, etc., and the deferred

payment of personal income tax, corporate income tax, social security fee, etc. exceeds 10 million yuan. The strength is strong, which provides a great guarantee for the effectiveness of the policy, and also provides a protective barrier for the Chinese government to face the impact of the epidemic on the public financial system. According to relevant data, the national economic performance indicators are only in the second quarter of 2020. There has been an obvious improvement, the GDP has turned from negative to positive, and the year-on-year decline in the service industry production index has narrowed by 5.6% compared with the first quarter. This shows that various policies are effectively adjusting the economy and stabilizing the public financial system [10].

6. *Inadequacies of China's preferential tax policies.* The use of policies to promote the resumption of work and production by enterprises can reduce losses caused by the epidemic, and the use of preferential tax policies can ease the pressure on enterprises' capital. However, due to the urgency of the epidemic, China still has insufficient tax incentives. The preconditions for the preferential tax policies designated in the epidemic are not clear, and the preferential tax policies for epidemic prevention and control are all improved in a single tax category, and a complete system of preferential tax policies for the epidemic has not been established, that is, the tax incentives. The linkage between them is low, and it is impossible to establish a completely effective protection for enterprises against the epidemic. Therefore, these defects have negatively affected the effectiveness of the policy in all aspects.

Although the suddenness of the outbreak is one of the reasons for the imperfect policy, it can also show that the country is not fully prepared to respond to public health emergencies. Therefore, a relevant protection policy system should be established for responding to public health events, it is very necessary, which can improve the effectiveness of the policy and provide guarantees for the stability of the national public financial system in many aspects.

7. *Implementation of preferential tax policies.* As an important means of adjusting the economy, the preferential tax policy has been chosen by many countries as one of the means to deal with the novel coronavirus pneumonia, and it is also a good choice to learn from the policies of other countries.

Germany temporarily reduced the value-added tax rate during the epidemic, which was to stimulate the economy during the economic downturn, and the reduction of value-added tax also increased consumer spending. According to relevant data, in June 2020, amid the pandemic and the economy in the recession, Germany reduced the standard VAT rate to 16% and the VAT rate to 5%. The researchers estimate that spending on durable goods rose by 21 billion euros, for a total of 34 billion euros. During the epidemic, the United States introduced a wage credit policy and a paid leave credit policy, and implemented a subsidy program for the transportation industry. Thailand adds deductions to employee wages and salaries. For equipment purchased in Poland for epidemic prevention and control, the purchase cost can be deducted before income tax at one time. For small businesses in Australia with an annual income of less than 150 million Australian dollars, the cost of purchasing fixed assets can be fully deducted before going to bed, but the conditions for preferential enjoyment are that the purchase time of fixed assets is before July 1, 2020, and the purchase price is fixed. The asset value is less than A\$150,000. Singapore halved port fees for airlines. Sweden allows companies to defer social security contributions.[8]

In order to cope with the new coronavirus pneumonia, almost all countries choose to use preferential tax policies to stimulate the economy to stabilize their public financial systems that have been hit. Therefore, it is necessary to learn from the experience of other countries and improve their own preferential tax policies, use policies to restore market confidence and reduce unnecessary losses caused by panic. It is also necessary to pay attention to the financial pressure caused by a large number of enterprises due to the epidemic, and formulate relevant support policies to avoid the

bankruptcy of enterprises due to the epidemic, which will cause a more serious impact on the national public financial system.

## **2.2. Empirical analysis of the impact of the epidemic on china's external sector**

The epidemic has had a serious impact on China's external sector. The main manifestation is the decline in the growth rate of imports and exports. The outbreak of the new coronavirus pneumonia is on a global scale, and the consequence is a decline in global market demand. And due to the particularity of the spread of the epidemic, all countries have implemented strict checks on imported and exported goods, which is undoubtedly an unfavorable factor that will deepen trade barriers for the growing trade protectionism. As a major global trading country, China has also suffered heavy losses from the epidemic.

*1. The adverse impact of the epidemic on China's import and export trade.* According to relevant information, in the first quarter of 2020, China's exports of goods fell by 1.4% compared with the same period last year, and imports of goods fell by 0.7% compared with the same period last year. From the perspective of the overall trade situation, China's total imports and exports in the first quarter fell by 6% compared with the same period last year (tables 2.1 and 2.2).

Table 2.1

China's import and export data from 1990 to 2020

<b>Year</b>	<b>Total import and export</b>	<b>Export value</b>	<b>Import value</b>
1990	5560	2986	2574
1991	7226	3827	3399
1992	9120	4676	4443
1993	11271	5285	5986
1994	20382	10422	9960
1995	23500	12452	11048

Continuation of table 2.1

1996	24134	12576	11557
1997	26967	15161	11807
1998	26850	15224	11626
1999	29896	16160	13736
2000	39273	20634	18639
2001	42184	22024	20159
2002	51378	26948	24430
2003	70483	36288	34196
2004	95539	49103	46436
2005	116922	62648	54274
2006	140975	77598	63377
2007	166924	93627	73297
2008	179921	100395	79527
2009	150648	82030	68618
2010	201722	107023	94700
2011	236402	123241	113161
2012	244160	129359	114801
2013	258169	137131	121037
2014	264242	143884	120358
2015	245503	141167	104336
2016	243386	138419	104967
2017	278099	153309	124790
2018	305010	164129	140881
2019	315446	172298	143148
2020	321557	179326	142231
Unit: RMB 100 million			

Source: www.baidu.com

Table 2.2

## China's import and export growth rate from 2012 to 2020

<b>Years</b>	<b>Import and export growth rate (%)</b>	<b>Export growth rate (%)</b>	<b>Import growth rate (%)</b>
2012	3.28	4.964	1.45
2013	5.74	6	5.432
2014	2.35	4.924	-0.56
2015	-7.1	-1.89	-13.31
2016	-0.86	-1.947	0.605
2017	14.263	10.76	18.885
2018	9.68	7.06	12.894
2019	3.42	4.98	1.61
2020	1.9	4	-0.7

*Source:* compiled by the author

Although China's import and export showed a growing trend in 2020, it came to an abrupt end when China's import and export environment was good and the import and export trade developed rapidly. Although the data showed that the import and export trade was still relatively optimistic, even the total import and export volume is positive growth. But we can't ignore the trend of the economy itself. Only a huge loss will bring the rapid upward momentum to an abrupt end. Let us consider short-term and long-term impacts in details.

*a) Short-term impacts.* The short-term impact of the new coronavirus pneumonia on foreign trade is still relatively deep. At present, China's main export products are industrial products, which account for as high as 94%, And it also has a negative impact on other aspects such as logistics and warehousing. These factors will lead to a serious negative impact on the production efficiency of domestic industrial enterprises in the

short term, which will not only put pressure on the capital of enterprises, but also seriously affect the export volume.

And in today's world of global cooperation, the cooperation of the global industrial chain and supply chain has deepened, and the outbreak of the epidemic is of a global nature. Industries around the world have stopped production and production, and the international supply capacity has dropped significantly. Due to the epidemic, countries have adopted measures for import and export. Tighter regulatory measures have had a further negative impact on global supply capacity.

According to relevant data, in the early stage of the outbreak, the total value of my country's net trade exports dropped significantly. In just the first two months of 2020, the total value of China's net trade exports dropped by 28.95% compared from November to December 2019, compared with a decrease of 11% in the same period last year, the trade deficit was 7.09 billion US dollars, and the surplus in the same period last year was 42.17 billion US dollars. In addition to import and export business, service trade such as tourism, transportation, culture and entertainment has also been greatly impacted [35].

*b) Long-term impacts.* The long-term impact of the new coronavirus pneumonia on foreign trade is still limited. On February 19, 2020, the International Monetary Fund stated that the current global economic development has shown a certain degree of stability, and related risks have also weakened. Data released by Markit on March 3 showed that the final value of the global manufacturing purchasing managers' index (PMI) in January was 50.4, slightly higher than the previous value of 50.0.

It can be seen that the negative impact of the epidemic is gradually recovering, and the problem of resumption of work of enterprises is gradually being resolved. The recovery of production capacity has gradually improved the form of foreign trade. As the epidemic improves and relaxes, the deepening of trade protectionism is still affecting the form of international trade, which is also one of the adverse effects of the new coronavirus pneumonia.

And the speed of recovery in the face of the epidemic is also uneven. According to relevant data, the Institute for Health Metrics and Evaluation (IHME) of the University of Washington School of Medicine estimates that under pessimistic, neutral and optimistic assumptions, the global new crown in September 2021 will be affected. The cumulative deaths from pneumonia may reach 10.298 million, 9.427 million and 8.887 million. While the facts are more optimistic than forecasts, for some countries the confirmed death toll is much lower than the true death toll. This is because of limited testing and challenges in determining the cause of death. If the analysis is based on forecast data, the repair of the global industrial chain is still not ideal, and due to various reasons such as the variants of the new coronavirus pneumonia, the negative impact on foreign trade still exists. However, the promotion of vaccines in various countries and the protection of protective measures have a limited long-term impact.[24]

Therefore, the long-term impact of the epidemic exists, but based on the response measures of various countries, the impact will be limited after all. The recovery of the global industrial chain is still proceeding in an orderly manner, moreover, the increased demand for medical supplies has alleviated the negative impact of the epidemic to a certain extent.

2. *Using ARIMA Model to Predict Actual Loss.* The development speed of China's import and export business is rapid, but in the process of development, the new coronavirus pneumonia has pressed the stop symbol. Although China's total import and export volume is still positive and growing, the actual increase is large. Therefore, we need to use the ARIMA model to analyze and predict with the help of EVIEWS software to obtain China's import and export volume in 2020 under the economic trend, so as to conclude that China's 2020 caused by the new coronavirus pneumonia. The actual loss is also based on the predicted actual loss to compare China's economic policy to know the effectiveness of the policy.

Therefore, we collect China's import, export and import and export volume in recent years, and use the ARIMA model to analyze and predict with the help of EVIEWS software.

First of all, we first use the actual import value from 1990 to 2019 to predict the import value in 2020. For the stability of the data, we first differentiate the data, and compare the stationarity. It is found that the second-order difference data is more stable.

Therefore, the autocorrelation and partial correlation analysis is carried out, and the following figure is obtained (fig.2.1-2.3).

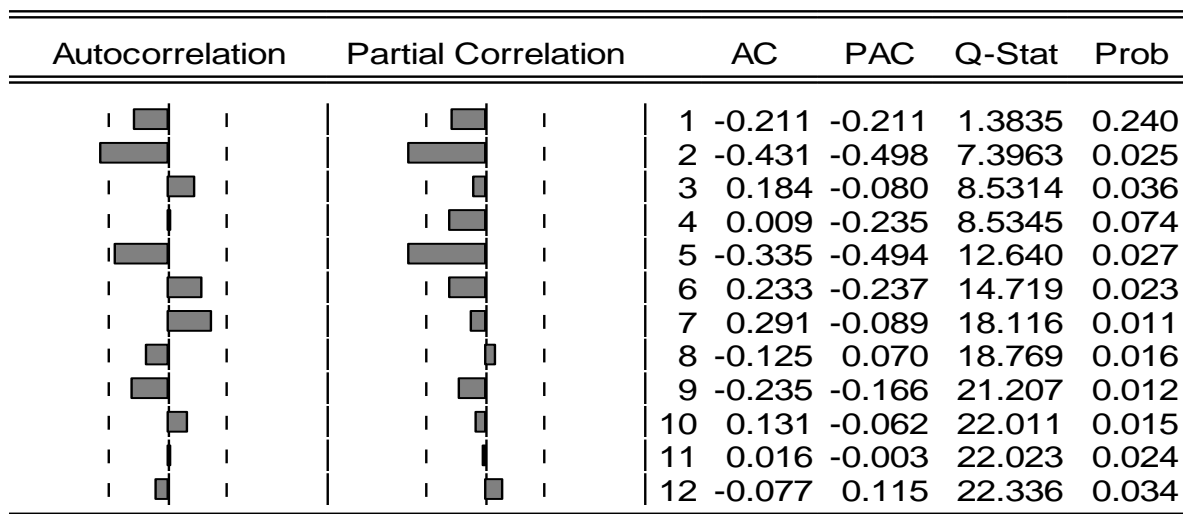


Fig. 2.1. Second-order difference map of China's 31-year import value

Using the analysis of autocorrelation and partial correlation, the values of p and q are calculated, and the significance of the data and  $R^2$  are verified, and two sets of formulas are obtained. To compare the formulas.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AR(2)	-0.427889	0.209321	-2.044171	0.0512
SIGMASQ	93939837	14340287	6.550764	0.0000
R-squared	0.197298	Mean dependent var		51.50000
Adjusted R-squared	0.166425	S.D. dependent var		11016.53
S.E. of regression	10058.13	Akaike info criterion		21.35334
Sum squared resid	2.63E+09	Schwarz criterion		21.44850
Log likelihood	-296.9468	Hannan-Quinn criter.		21.38243
Durbin-Watson stat	2.651695			
Inverted AR Roots	-.00+.65i	-.00-.65i		

Fig. 2.2. In the case of  $p=2$   $d=2$   $q=0$

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MA(1)	-0.948244	0.160372	-5.912789	0.0000
SIGMASQ	74721271	18649749	4.006556	0.0005
R-squared	0.361518	Mean dependent var		51.50000
Adjusted R-squared	0.336961	S.D. dependent var		11016.53
S.E. of regression	8970.455	Akaike info criterion		21.19027
Sum squared resid	2.09E+09	Schwarz criterion		21.28543
Log likelihood	-294.6638	Hannan-Quinn criter.		21.21936
Durbin-Watson stat	1.646025			
Inverted MA Roots	.95			

Fig. 2.3. In the case of  $p=0$   $d=2$   $q=1$

For comparison, it can be found that MA(1) has a higher degree of fit and is more significant, so through the conditions of  $p=0$   $d=2$   $q=1$ , the relevant formula is obtained:

$$X(t) = \sum(t) - 0.948244 * \sum(t-1) \quad (p=0 \quad d=2 \quad q=1)$$

And substitute the relevant data to get  $1751268 - 0.948244 \times 1608120 = 226377.85872$

With the help of EViews software, the ARIMA model is used to analyze and predict, so that China's import value in 2020 should be 22637.785872 billion yuan, while China's actual import value in 2020 is 14223.1 billion yuan.

By comparing with the actual import value in 2020, it is found that it has decreased by nearly 8.4147 trillion yuan, although the data includes the long-term negative impact of "Black Monday" in 1987, including the 1994-1995 Mexican financial crisis, including the 1997- The 1998 Asian financial crisis includes the 2007-2009 US subprime mortgage crisis. These crises are all influencing factors, and therefore have a certain impact on the data, but we can also clearly find that the potential losses are Huge, it is conceivable that the losses incurred by countries in the world due to the epidemic, because the reduction of a country's import value, indicating that the purchase from other countries is reduced, it also represents a reduction in international demand, and a country's import value is reduced. That means the reduction of imports from countries, that is, the reduction of exports. This impact is negative and has mutual influence, what countries should consider more is how to reduce this loss, such as increasing international cooperation and facilitating imports and exports.

Therefore, we can more intuitively see the losses caused by the epidemic, and we can inspect the actual losses according to the ARIMA model, so as to analyze the problems through the disaster situation, formulate appropriate response policies so that the country can minimize losses and stabilize its public financial system during the epidemic.

*3. Importance of Import and Export.* Foreign trade, also known as import and export trade, refers to economic activities such as commodity transactions, labor exchanges, and technology exchanges between a country or region and another country or region. Divided into import trade and export trade, import trade is a series of activities such as purchasing a certain commodity, hiring labor services, and exchanging technology from other countries or regions [30].

Through empirical analysis, it can be seen that the total import and export volume has caused huge losses due to the new coronavirus pneumonia, and the losses in import and export will be directly reflected in the national finances.

Take the United States as an example. In 2019, the total value of US exports of goods was 1,645.5 billion US dollars, and the total value of imported goods was US\$ 2,568.5 billion. If this data is used, the total foreign trade of the United States accounted for nearly 19.7% of GDP in 2019. This is still a service in the United States. Industry accounts for 80% of the U.S. economy. In 2019, China's total import and export volume was 31544.6 billion yuan, its GDP was 98651.5 billion yuan, and its total foreign trade accounted for 32% of its GDP. It can be seen that import and export are very important to a country's economy, and the economy represents the level of productivity of a country, and the level of productivity represents a country's living standard and military strength to a certain extent [30].

Moreover, foreign trade can also generate foreign exchange earnings by using enterprises with excess export capacity. At the same time, importing tight resources can alleviate the country's needs, which is to play a role in resource allocation, and it is also one of the means for the country to achieve better development in the global economy, because in today's rapid economic development, the relationship between countries is very Due to differences in resources and technological advantages, each country has a supply gap, which has also led to a reduction in productivity. Therefore, it is very necessary to import demand resources from other countries to supplement the gap. Resource allocation can improve a country's productivity. make the country more competitive. Moreover, the appropriate expansion of import trade can not only ease trade frictions and reduce inflation, thereby making the public financial system more stable, but also promote the country's technological innovation, because the expansion of import trade, to a certain extent, also represents the acquisition of a large number of high Science and technology products, and these products can better promote the development of national science and technology, accelerate the growth of production efficiency, and realize the use of imports to obtain what the country needs.

## **2.2 Measures taken by import and export departments in the face of the epidemic**

The impact of trade protectionism and the new coronavirus pneumonia on import and export trade in recent years is obvious. The World Trade Organization's trade statistics and outlook report released on April 8, 2021 pointed out that the development of the new crown pneumonia epidemic will lead to global commodity trade in 2020. The total fell sharply by 13%-32%, more than the decline in trade brought about by the 2007-2009 global financial crisis. And because of the special status of foreign trade in the finance, it is very necessary to expand the import and export volume. The growth of exports needs to help related production enterprises to reduce the burden of funds or other related aspects, so that they can quickly restore production capacity. The expansion of imports requires support for relevant policies, such as opening a "green channel" for epidemic prevention materials.

And China attaches great importance to the external sector during the epidemic, because it is related to the stability of China's public financial system. Although China is the world's second-largest economy after the United States, due to its large population, its per capita GDP is not satisfactory. The IMF once It is predicted that China's per capita GDP in 2022 will be about 14,100 US dollars, which will exceed the world average. This shows that China's per capita GDP did not even reach the world average level, and it is only possible to exceed the world average level in 2022, and it is also very likely that China's relatively timely response to the epidemic has resulted in a relatively rapid economic recovery. It is an opportunity that China has obtained in the downward trend of the world economy. It is still unknown whether the per capita GDP can be kept higher than the world average level. Therefore, China attaches great importance to the stability of the public financial system. However, the per capita GDP is not as good as the world average, so China's economic system needs long-term stability, and the Chinese government has also noticed this problem. Therefore, China's

measures to stabilize the public financial system are very suitable for reference. It includes measures to support foreign trade during this epidemic.

Due to the large territory of China and the differences in the situation of each province, the measures of each province will not be exactly the same, but here, we have sorted out the provinces with the best recovery and fastest growth in the country, combined with Analyzing their policies will play a positive role in the import and export trade during the epidemic (table 2.3) [44].

Table 2.3

## Specific measures to stabilize foreign trade in some provinces in China in 2020

<b>Province (Municipality directly under the Central Government)</b>	<b>"Stable foreign trade" policy</b>	<b>Specific policy measures</b>
Sichuan	"Nine Measures on Supporting Foreign Trade and Economic Enterprises to Respond to the Epidemic and Stabilize Foreign Trade Development"	Support enterprises to reduce logistics costs, give priority to supporting personnel in key positions to return to work, establish green channels for import and export, support the development of new business forms and new models, implement preferential tax policies, make good use of policies to aid enterprises and stabilize jobs, increase support for export credit insurance, and implement business approvals Facilitation of services and improvement of legal relief and assistance mechanisms for trade disputes.
Chongqing	"Chongqing's Policies to Stabilize Foreign Trade and Foreign Investment in Response to the New Coronary Pneumonia Epidemic"	Support enterprises to resume work in an orderly manner and achieve expected output, increase financial support, reduce logistics costs, support enterprises to expand international markets, support the stable development of processing trade, increase support for service outsourcing, strengthen foreign trade legal aid, optimize export tax rebate services, and facilitate Cross-border capital settlement for epidemic prevention and control, fast and convenient customs clearance, innovation and optimization of foreign investment promotion methods, and strengthening of services for foreign-invested enterprises.

Continuation of table 2.3

Zhejiang	"Notice on Effectively Responding to the New Coronary Pneumonia Epidemic and Doing a Good Job in Stabilizing Foreign Trade, Foreign Investment and Promoting Consumption"	Vigorously explore the international market to stabilize foreign trade, improve the epidemic response work system, innovate "market development" channels to ensure the number of orders, accelerate the development of new foreign trade formats and models, and actively expand imports.
Shanghai	"Policies and Measures on Responding to the New Coronary Pneumonia Epidemic and Supporting the Stable Development of Foreign Trade Enterprises"	Optimize the import procurement mechanism of key prevention and control materials, support enterprises to properly arrange resumption of work and operation, increase financing support for foreign trade enterprises, optimize customs clearance supervision services, further play the role of credit insurance, support enterprises to adjust overseas development plans, and support enterprises to expand internationally Market, optimize cross-border financial settlement services, promote the paperless handling of import and export license filing matters, improve the "single window" function of international trade, and increase the design of legal assistance and consulting services for foreign trade.
Jiangsu	"Several measures to improve the current stability of foreign trade"	Strengthen the working mechanism of stabilizing foreign trade, increase export credit support, strengthen export credit insurance risk protection, actively expand online exhibitions, encourage and support foreign trade enterprises to export to domestic sales, smooth international logistics channels, vigorously develop cross-border e-commerce, and promote the innovative development of processing trade. Expand the export of medical supplies in an orderly manner, and stabilize the supply chain of foreign trade and foreign investment industrial chains.
Guangdong	"Guangdong Provincial Customs fully implement the measures deployed by the two sessions to support Guangdong in stabilizing the fundamentals of foreign trade and foreign investment"	Enterprises expand import and export, promote cross-border trade facilitation, stabilize the development of processing trade, serve the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, support the development of the Guangdong Pilot Free Trade Zone, support the high-level opening and high-quality development of the comprehensive bonded zone, and promote the development of cross-border e-commerce, to maintain the order of import and export trade.

Source: [www.xdsyzs.com](http://www.xdsyzs.com)

In Table 3, all the provinces that have recovered the fastest from the epidemic and achieved relatively high growth, we can see that China attaches great importance to foreign trade. The online service resisted the suspension of offline activities caused by the epidemic, and at the same time introduced various positive policies for import and export. Moreover, among the cities, the fastest recovery of foreign trade is in Jiangsu Province and Zhejiang Province, and these two provinces are also leading cities in the development of the digital economy. Therefore, the development of the digital economy, to a certain extent, can alleviate the inability to hold offline activities caused by infectious diseases such as the new coronavirus pneumonia [44].

### **2.3 Analysis of China's measures to face the liquidity crisis brought about by the epidemic**

Liquidity crisis refers to the depletion of liquidity, which can be manifested as asset prices falling below their intrinsic value, or the deterioration of external financing conditions of financial institutions, or the decline in the number of financial market participants, or difficulties in financial asset transactions. That is to say, the liquidity of the currency is reduced and it cannot operate at a high speed in the social system. In the risk management of financial institutions, liquidity risk is one of the four major risks. Before 2008, countries did not pay attention to liquidity risk, but in 2008 The U.S. subprime mortgage crisis that broke out in 2009 has made the world begin to have a new discussion on liquidity risk. Obviously, a liquidity crisis is dangerous for the financial system, and this time the spread of the new coronavirus pneumonia has once again triggered global liquidity risks. Once the liquidity crisis continues to deteriorate, it will evolve into a financial crisis. Therefore, all countries need to pay attention to the liquidity crisis and take relevant measures.

*1. The impact of the epidemic on liquidity.* Since 2020, the increase in unemployment, stock market turmoil and economic downturn caused by the epidemic have all had an impact on liquidity, and the asset slump brought about by the possibility of a liquidity crisis will further lead to capital selling. Causing further declines in the capital, causing panic and triggering a real liquidity crisis. In order to deal with liquidity risks, the financial system has naturally developed many models and management tools. These models and management tools are generally based on the normal distribution and can prevent risks with a confidence interval of 95% or 99% or even 99.9%. The tail risks of 5%, 1%, and 0.1% are generally unpredictable, and effective tools cannot be used for mitigation or hedging [38].

Faced with the shutdown of production and production caused by the epidemic, some companies have laid off employees due to operational difficulties, and some cannot get wages due to home isolation. Therefore, most people have reduced their consumption, and the reduced consumption will be returned to the company. This makes operations more difficult and leads to a new round of layoffs, which is the root cause of rising unemployment. The rise in the unemployment rate represents a further reduction in people's spending power and willingness, which will lead to further deterioration of the economy and thus have a certain impact on liquidity.

What really brings a fatal impact on liquidity is the debt of the company. Taking the United States as an example, while some companies in the United States continue to increase their leverage, the debt ratio remains high, and the debt quality is also low. At the same time, they repurchase stocks with the funds raised by debt instruments, pushing up the stock return per share, and then raising the stock price. And their own business valuations. This will bring certain benefits to companies under the upward trend of the economy, which is the "reflexivity" proposed by Soros. The rise in stock prices will strengthen investors' expectations for the company's future, and the upward trend of the economy will add to Investors' "fallibility", that is, investors' own cognitive biases and one-sided access to information, bring positive feedback to investors,

liquidity brought by economic upturn and positive feedback brought by rising stock returns, However, with the increase in stock price, the company has not actually improved. Just like the subprime mortgage crisis in the United States in 2008, the value of these companies is a virtual bubble. If they are impacted by external factors, they will follow with stock prices falling sharply, and the company's high leverage cannot cope with the decline in corporate value, a large amount of debt will make the company fall into a short-term liquidity crisis, and if the capital chain of these highly leveraged companies cannot be sustained, then this time the risk will be Once again hit the country's public financial system. The negative impact brought by the new coronavirus pneumonia this time is likely to become a fatal external factor. Therefore, it is necessary for the state to implement relevant measures [39].

*2. Analysis of China's Response.* At the Politburo meeting on March 27, 2020, the government proposed a package of macro policy measures to actively respond to. By raising the fiscal deficit ratio, issuing special treasury bonds, and increasing the scale of local government special bonds, we will maintain reasonable and sufficient market liquidity. At the same time, tax cuts and fee reductions, deferment of principal and interest repayment, alleviation of financing difficulties and high financing costs, and fundamentally alleviating market liquidity.

These policies are a good response to the liquidity crisis because the government is the largest payment unit at the top. However, the liquidity crisis, due to the spread of risks brought about by economic globalization, the crisis will make the overseas capital of the United States return, and the capital flight will affect the import and export, because the reduction of external demand will affect the reduction of exports, and the contraction of exports will It will affect the devaluation of the national currency and will form a new round of impact on the stability of the public financial system.

According to a large number of studies, liquidity shocks are often the direct cause of major financial market turmoil, and because of their highly contagious nature,

liquidity shocks can easily evolve into systemic financial risks and eventually lead to economic recession (fig.2.4).

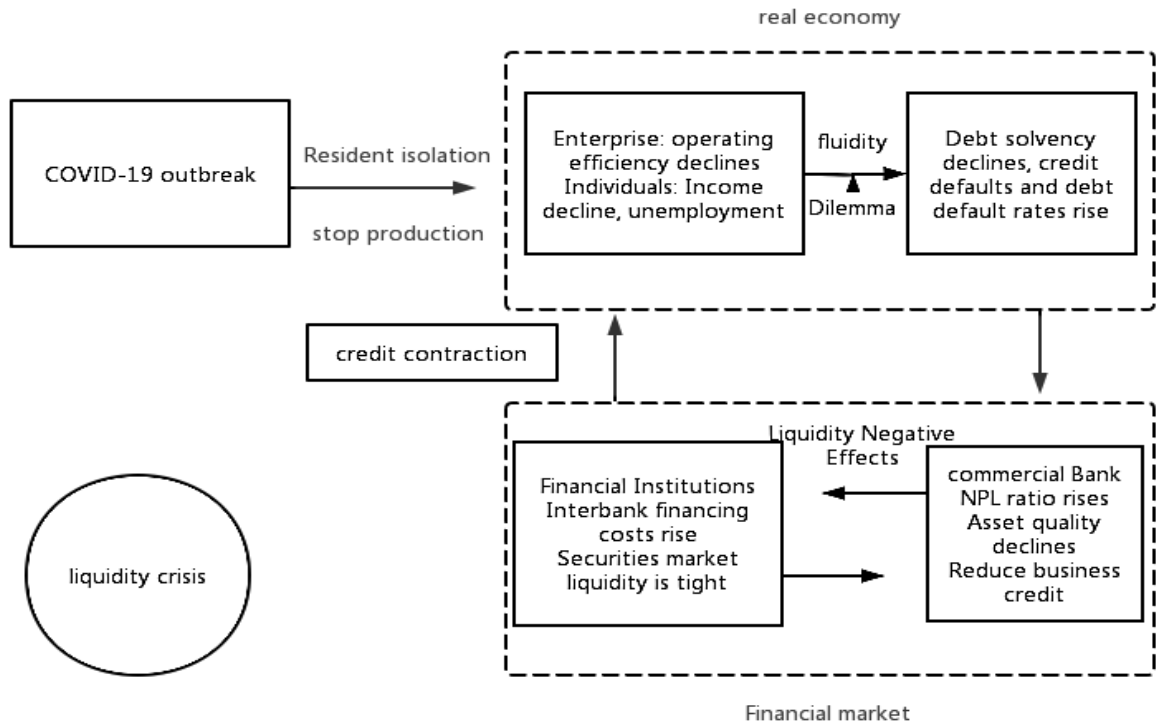


Fig.2.4. Liquidity crisis interpretation process

Source: [https://kns.cnki.net/kcms/detail/detail.aspx?dbcode=CJFD&dbname=CJFDLAST2021&filename=JRSC202105005&uniplatform=NZKPT&v=Noy9kxYIHhrKDdLT580Qte3qNUsA7qs ssLNwEMXC4GnEI7kWggwsr3f6Re\\_DGL-G](https://kns.cnki.net/kcms/detail/detail.aspx?dbcode=CJFD&dbname=CJFDLAST2021&filename=JRSC202105005&uniplatform=NZKPT&v=Noy9kxYIHhrKDdLT580Qte3qNUsA7qs ssLNwEMXC4GnEI7kWggwsr3f6Re_DGL-G)

The impact of the epidemic on the Chinese economy is reflected at the macro level in that the shutdown of production and production has affected consumption, investment and exports. In the financial market, although the impact is small, it still produces large fluctuations. Due to the policy response to consumption, and investment, in addition, exports are relatively slow, and the liquidity shock generated in a short period of time still needs to be taken seriously. Therefore, the People's Bank of China invested a total of 1.7 trillion yuan through open market operations in early February

2020, and then provided 300 billion yuan in special re-loans to the market. Provide financial support for epidemic prevention and control, stabilize market expectations, and effectively prevent liquidity risks from evolving into systemic risks. However, it is worth noting that due to the impact of the shutdown of the epidemic, the recovery of the real economy is still not in the short term, so the non-performing loan ratio will rise as a result, and the quality of financial institutions' assets will be threatened [37].

## **SECTION 3**

### **WAYS TO STABILIZE THE PUBLIC FINANCIAL SYSTEM DURING THE PANDEMIC**

#### **3.1 Relevant preferential policies for the three major industries**

The spread of the novel coronavirus pneumonia around the world has caused many places to stop work and production. The epidemic not only threatens the lives and health of people in various countries, but also has an impact on the public financial systems of various countries. In particular, the three major industries and external departments of various countries, due to the particularity of the external factor of the epidemic, have caused negative impacts and significantly increased liquidity risks. Therefore, all countries need to pay special attention to the stability of the public financial system. In order to better cope with the impact of the epidemic on the financial system, we will analyze the negative impact of the epidemic on the three major industries, external departments, and liquidity risks. The policy makes the following recommendations.

In view of the negative impact of the new coronavirus pneumonia on the three major industries, the main reason is the financial pressure caused by the shutdown of production and production, and the relevant preferential policies can provide financial support for the three major industries. For example, the lowering of the loan threshold can alleviate the pressure on the funds of the three major industries, the more direct subsidy policy can support the severely damaged enterprises in this session, and the preferential tax policy can well allow the three industries to recover from the negative impact of the epidemic. Come over, realize macroeconomic adjustment, promote the rational allocation of resources, so as to achieve the stability of the public financial system and achieve stable economic growth.

Therefore, the resumption of work is urgently needed by enterprises, but how to survive the shutdown caused by the epidemic is what relevant preferential policies need

to do, and how to formulate appropriate preferential policies is worthy of the attention of governments, such as the primary industry. The damage to the secondary industry and the tertiary industry cannot be exactly the same, especially the tertiary industry, such as the direct closure of service-type enterprises, the pressure on capital is very large, and it may cause capital chain in serious cases. If it breaks down, the enterprise goes bankrupt. Therefore, each industrial land policy needs to be analyzed to obtain appropriate preferential policies.

It is worth noting that various industries in major industries also need to be analyzed, and it is also necessary to pay attention to the long-term and short-term negative effects brought about by the epidemic. It also includes online industries. The suspension of production and production caused by the epidemic has caused serious damage to the real economy, but the online economy has experienced a rare period of development. Therefore, we must pay attention to the hedging brought about by the online economy of the tertiary industry, and formulate policies that cannot be generalized. For the pressure of the real economy that needs to pay attention to its funds in the short term, it is necessary to designate more appropriate policies for it, such as lowering the threshold for loans, issuing special loans or establishing related support funds, but it is also necessary for tax preferential policies, but this It is impossible to effectively solve the short-term negative impact of the epidemic, and it is more to neutralize the long-term negative impact of the epidemic. For the online industry, it is necessary to promote its development and use the online industry to promote the economy and hedge the negative impact of the epidemic. Therefore, the online industry is more suitable for preferential tax policies, and the issuance of loans and subsidies can be the focus is on the more severely damaged real economy.[6]

Therefore, it is necessary to formulate relevant preferential policies for the three major industries, but governments of various countries need to pay attention to the differences. There are significant differences between major industries and even all walks of life. Among them, preferential tax policies are very worth considering,

whether it is for the stability of the public financial system in the short term or for alleviating the long-term negative impact of the epidemic, they are very effective.

### **3.2 Ways to solve problems and main directions for stabilizing China's financial system**

The ways to improving mechanisms to stabilize china's financial system include the following:

- measures for stabilizing foreign trade and implementing active import and export policies;
- measures for strengthening liquidity risk supervision, stimulating the economy and expanding domestic demand while companies deleverage;
- measures for developing the digital economy;
- measures for preventing the spread of risks from foreign countries.

*1. Measures for stabilizing foreign trade and implementing active import and export policies.* The impact of the new coronavirus pneumonia on the public financial system is also reflected in the import and export. Import and export are an important part of the GDP of various countries. In today's economic globalization, vigorously developing import and export is a manifestation of the country's compliance with the trend. All countries have strict controls on import and export business, coupled with the strengthening of trade protectionism in recent years, it has caused a heavy blow to the import and export of countries, and how to reduce the loss of import and export during the epidemic and stabilize the country's public finance The system needs to be focused on.

If you want to stabilize foreign trade, the government needs to adopt preferential policies for the import and export industry, such as simplifying the import and export process and opening a "green channel" for medical supplies. If you want to expand

import and export and achieve stable growth in import and export, you need to implement preferential policies for foreign trade companies. Policy, since the import and export industry is composed of large and small enterprises and distributed in major industries, the support for the three major industries can effectively solve the short-term capital problem of foreign trade enterprises, but what foreign trade enterprises need is not only the resumption of work and the government. The preferential policies of China and the spread of the epidemic have caused large or small blows to the import and export industries of various countries. After the foreign trade enterprises recovered from the suspension of production and production, due to the strict control of imports and exports by various countries and the rise of trade protectionism, foreign trade enterprises also need to face the reduction of import and export orders, the quantity of imported goods is insufficient, and the goods with excess capacity cannot be shipped out. Therefore, the state needs to implement active policies on import and export, simplify the links of import and export, and optimize import and export services. Such positive policies can well create a good foreign trade atmosphere, thereby improving the import and export environment, attracting international investment, and using the promotion of the import and export industry to neutralize the negative impact of the epidemic [3].

Therefore, considering the proportion of imports and exports in the country's GDP, stabilizing foreign trade is a key concern, and fluctuations in the import and export industry will inevitably affect the country's public financial system. In order to stabilize social stability and stabilize the public financial system during the epidemic, the country needs to pay a considerable financial price for the relevant policies implemented, and maintaining the stability or even increase of imports and exports during the epidemic can well alleviate the impact of the epidemic. For the country, a good financial situation is also one of the help to stabilize the public financial system.

*2. Measures for strengthening liquidity risk supervision, stimulating the economy and expanding domestic demand while companies deleverage.* The U.S. subprime

mortgage crisis that broke out in 2008 led the world to begin to discuss liquidity risk. Liquidity risk is still an incomplete concept for the financial system, so there are insufficient means of preventing and predicting it. Due to its particularity, the shutdown of production and production will undoubtedly expand the global liquidity risk. Once the liquidity crisis continues to deteriorate, it will evolve into a financial crisis. Therefore, all countries in the world need to strengthen the supervision of liquidity risks.

Combining with the principle of "reflexivity" proposed by Soros, we need to deleverage enterprises and maintain the debt ratio of enterprises at a safe level. Therefore, this requires governments to implement preferential policies in the epidemic while leveraging enterprises. rate control to prevent the impact of the liquidity crisis on the public financial system. And considering the limited export business caused by the epidemic, the reduction of external demand will lead to overcapacity, and the home isolation will lead to the same reduction in the consumption demand of domestic residents. Taking measures to resume work and preferential policies for the industry can only ensure the recovery of productivity. This book is not healthy. By paying attention to liquidity risks, it is necessary to expand demand while restoring productivity. However, considering the uncertainty of external demand, expanding domestic demand is more feasible, and formulating relevant policies to stimulate consumption and investment can prevent liquidity crises, promote healthy economic development, and stabilize the country's public financial system.[40]

*3. Measures for developing the digital economy and finance.* By analyzing China's performance in the epidemic, it can be found that the digital economy has played a good buffering role in China's defense against the impact of the epidemic on the public financial system.

For the three major industries, the epidemic has caused various enterprises to suspend production and production due to its particularity, but online enterprises have achieved good development due to the home isolation of residents. Therefore, the

development of the online economy has neutralized the epidemic to a certain extent. At the same time, the negative impact brought by it has slowed down the speed of the economic downturn and provided a certain buffer period for the government to formulate and implement measures. For import and export trade, through analysis, we can find that the digital economy in China's provinces has developed better, the loss of import and export volume is lighter than that of other provinces, and the recovery speed after the resumption of work is also faster, so the development of the digital economy can be effectively cooperate with the proactive policies formulated by the government, so that the country can quickly recover from the negative impact of the epidemic on foreign trade. In terms of resisting liquidity risks, the digital economy can effectively improve the efficiency and quality of circulation, and in the liquidity, risks brought about by the epidemic, the digital economy has performed equally well. In addition to the shutdown of production and production, the main causes of the epidemic are The long-term negative impact on demand has led to lower expectations of capital for the future and a large number of asset sales, while the digital economy has used online platforms to stabilize domestic demand during the epidemic, and residents have not been unable to consume due to home isolation, coupled with government preferential policies The introduction of the IPO has provided a source of funds for enterprises, and the capital's expectations for the future have not been significantly reduced, thus not triggering further selling of assets and a run on liquidity.[7]

Therefore, the digital economy needs to be vigorously developed by all countries. It can promote economic growth when the global economy is on the rise, and can also play a good buffering role in resisting the new coronavirus pneumonia or other external factors, it can also play a good buffering role, stabilize the country's public financial system, and be a great help in the future economic recovery period.

*4. Measures for preventing the spread of risks from foreign countries.* The external factors brought about by the new coronavirus pneumonia are global. While the government is concerned about the recovery of the domestic economy, it also needs to

pay attention to the impact of the epidemic on the global financial system. For example, the U.S. stock market has been blown 4 times in a short period of time, resulting in panic. The spread of the virus has triggered fluctuations in the stock markets of many countries and progressively affected the government's public financial system. Therefore, the government needs to take relevant measures in response to the spread of foreign risks.

With the development of economic globalization, the scale of the international financial market has continued to expand, and financial risks have also increased. The primary reason for the increase in risks is the lack of financial supervision. Therefore, the government needs to increase the supervision of the financial system and improve the financial supervision system. International Monetary Fund once believed in 2008 that the financial crisis that broke out in the United States was partly due to the deviation of the financial supervision model and the financial operation model to a certain extent, as well as the relaxation of supervision by the supervisory authorities. Therefore, effective regulation can compensate for market failures. The external factors brought about by the outbreak are strongly impacting the public financial system, so strong regulation can prevent further deterioration.

Relevant studies have shown that the outbreak of financial crises in many countries is caused by debt. Therefore, to prevent the spread of risks, effective measures also include reducing leverage. Due to the development of economic globalization, the debt ratios of enterprises in various countries have increased, even far away. It is far beyond the warning line. In the upward trend of the economy, it can indeed develop at a high speed. However, the negative impact of the epidemic has forced governments to take into account the danger of high leverage, combined with the reduction in demand brought about by the epidemic. In future expectations, reducing certain leverage is also worthy of consideration by governments.

Therefore, taking into account the impact of the epidemic on the public financial systems of various countries and the different levels of emphasis in each country, it is necessary to take precautionary measures to stabilize their public financial systems.

## CONCLUSION

The novel coronavirus pneumonia has had a negative impact on the economic operation of various countries, and other negative impacts such as the shutdown of production and production due to its particularity have caused a violent impact on the public financial systems of various countries. From the many financial crises over the years. It can be seen that the economic turmoil in one country will cause damage to many countries, and the economic turmoil caused by the epidemic is global. In order to avoid greater losses, it is necessary to stabilize the public financial system during the epidemic. According to the relevant data, China has performed well in this epidemic. Therefore, it is necessary to analyze the measures to stabilize the public financial system in China during the epidemic, so as to draw the experience of other countries, and the following conclusions are also drawn through the research:

1. The epidemic has impacted the three major industries, especially the tertiary industry. Therefore, it is necessary for the government to provide support through relevant preferential policies or even special fund subsidies to help major enterprises overcome difficulties and prevent bankruptcy and bankruptcy from bringing greater impact. In particular, online companies in the tertiary industry have achieved good development during the epidemic. Therefore, it is also feasible to use preferential tax policies to promote the development of online companies to hedge against the economic downturn. Economic subsidies are placed on severely damaged enterprises, and economic recovery is the first priority.

2. By using the ARIMA model to analyze and predict with the help of EVIEWS software, the epidemic has had a serious impact on the import and export volume. Combined with the important position of import and export in the country's GDP, the government needs to implement active policies on import and export, and restore and expand import and export. Thereby stabilizing the public financial system and alleviating the fiscal pressure brought about by the epidemic.

3. The preferential tax policy is effective. Whether it is recovery or development, it is an important measure for the government to support enterprises during the epidemic. However, it still requires the government to analyze the relevant industries and highlight the key objects of support.

4. The liquidity risks caused by the epidemic are generally controllable, but the government still needs to implement relevant policies to expand domestic demand to stimulate consumption, and deleverage high-leverage companies to reduce the high risks caused by high leverage. At the same time, the linkages to foreign economic turmoil can be reduced.

5. The spread of the new coronavirus pneumonia has caused more or less impact on the import and export industries of various countries. During the epidemic, the strict restrictions on import and export of various countries will be gradually lifted, and import and export trade will gradually resume. How to seize this situation? Opportunities have become what countries need to study and discuss. Combined with the measures during the epidemic, suggestions for stabilizing foreign trade after the epidemic after the epidemic can include the following:

a) continue to vigorously develop the digital economy. During the epidemic, cities with leading digital economy development suffered fewer losses from the epidemic than other cities, and the same is true for the country. The digital economy has reduced some losses for the country to a certain extent, while for the digital economy Vigorous development is not only to comply with the trend of global economicalization, but also a preventive measure to prevent the epidemic from fighting back. While developing the economy, it is advisable to take measures to strengthen the digital economy while alleviating the losses caused by the epidemic.

b) adopting preferential policies for foreign trade enterprises to promote the recovery and development of enterprises. In the epidemic, global trade has shrunk severely, and foreign trade companies have suffered losses to various degrees. Although the most difficult period has passed, most factories have resumed production,

and export data is also growing slowly. The economic downturn caused by the restrictions and the epidemic is still irreversible, and the recovery of foreign trade enterprises is still a long-term process. Therefore, relevant preferential policies are needed, such as tax and fee reduction policies, especially for those seriously affected by the epidemic. This can not only help foreign trade enterprises recover quickly from the epidemic, but also prevent foreign trade enterprises from closing due to economic pressure during the post-epidemic recovery period.

c) continue to implement active policies on import and export. Since countries will designate and issue relevant policies to stimulate the economy in order to restore the economy after the epidemic, and will support local enterprises in their own countries, foreign trade after the epidemic is a challenge and there is great uncertainty. Therefore, formulating relevant policies Active policies, such as reducing the inspection and quarantine links of low-risk commodities, reducing restrictions on logistics and transportation, increasing financial support, and optimizing export services, can effectively guide funds to support the import and export industry, and enable the country to Seize the opportunity to achieve good development after the epidemic.

6. Due to the U.S. subprime mortgage crisis that broke out in 2008, all countries have a certain awareness of the liquidity crisis. Although the new coronavirus pneumonia is only a possibility to cause a liquidity crisis, the spread of the global epidemic and the impact of the epidemic The long-term negative impact of the future still makes the liquidity risk full of uncertainty, and all countries need to take relevant measures to pay attention to the liquidity risk. Suggestions for preventing liquidity shocks caused by the epidemic are the following:

a) Formulating relevant policies to stimulate consumption and investment while promoting economic recovery. Due to the impact of the shutdown of work and production caused by the epidemic, the government has formulated preferential policies for related disaster-hit companies, but this is not enough to deal with liquidity risks. In the face of preferential policies with a longer recovery cycle, more direct special credits

and rescue funds are more effective. It can directly stimulate the recovery of the economy and prevent the breakage of the capital chain under the impact of the epidemic. And related policies can also guide the flow of capital, so that capital flows to the real economy.

The epidemic has also brought down consumption. Due to the damage to export trade, external demand cannot be well guaranteed. Therefore, it is necessary to stimulate domestic demand. The resumption of work and production of enterprises will only bring about the recovery of productivity, the rise of unemployment, and the increase of domestic residents' willingness to consume. Recovery still takes a certain amount of time, which cannot be prevented to a limited extent for short-term liquidity shocks. Therefore, relevant policies need to be formulated to encourage consumption, investment and other related behaviors. The recovery of productivity is only healthy when demand is restored. Therefore, fiscal policy needs to be stable to a certain extent, and it needs to take into account both demand and productivity.

b) Strengthening financial supervision. A liquidity crisis is caused by insufficient liquidity. It generally refers to the phenomenon in which leveraged transactions further sell assets to run on liquidity in order to reduce risks and deleverage during the process of asset price decline. Banks generally play an important role in the financial system, and therefore play an important role in liquidity transmission, so there is a certain degree of predictability in liquidity crises. Through the supervision of liquidity by the financial supervision department, the flow of funds can be reasonably guided, the impact of liquidity shortage on the public financial system can be prevented, and the liquidity crisis caused by the deterioration of credit assets of financial institutions can be prevented. The development of China will bring negative effects, but the positive fiscal policy will neutralize some of the effects,

c) Promoting the development of the digital economy and finance. In this epidemic, due to the existence of online supermarkets and other services, the demand for consumption has not been reduced much, and the supply of materials has been

guaranteed while residents are isolated at home, and some appointment-based orders have increased productivity after the epidemic. Recovery provides a good foundation. In addition, online services have suppressed the spread of the epidemic to a certain extent. Online payment of water, electricity and other expenses is convenient for residents while avoiding crowds.

At the same time, the government's online service business can reduce the pressure on funds and effectively alleviate the fiscal deficit that may be caused by the epidemic, and the government can supervise through online services and use the "invisible hand" to automatically realize the resources of the whole society. Optimize allocation, reduce liquidity risk, and stabilize the public financial system.

7. After the epidemic, the country needs to continue to implement a proactive fiscal policy and a prudent monetary policy, and maintain the stability of the public financial system while economic growth, so as to neutralize the long-term negative impact of the epidemic.

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