

DIJ DWIH Web-Forum

27 May 2020

**National Approaches to Systemic Risk -
Germany and Japan under the COVID-19 Crisis**

The following questions were posted by participants during the Web-Forum, but could not be answered due to time constraints. The speakers gratefully agreed to answer them briefly in written form after the event.

Q1. It is reported that there have been protests against lockdowns in Germany. Are they affiliated with political parties?

Ortwin Renn

There are indications that the far right (AfD) and the far Left (die Linke and more pronounced small extreme left groups) have used these protests to deliver their specific message and instrumentalize the protest for enforcing their own agenda. In particular, the far right uses the Corona crisis to promote nationalist policies directed against refugees, international cooperation and foreign aid to developing countries.

Q2. The EU has become a collection of countries with tight border controls - how come that the European idea/ambition/promise (of free movement) could collapse in no time?

Ortwin Renn

There had been tensions between the members of the EU even before Corona. The main point of dis-sent was the treatment of refugees. The members were not able to find a working compromise between the various positions. As member states were affected in different intensity and severity, the national borders were re-enacted during the crisis. But this was meant to be temporary and, in my view, was also justified by the need to protect the population against infections. Several countries such as Hungary have, however, used this protective rationale for including more domestic policies towards increased power of the central government beyond what would have been needed to block infections.

Q3. Why was the health system in Japan close to collapse, while Germany could cope quite well with many more COVID-19 patients? What needs to change?

Norio Okada

Japan was unprepared for this type of extraordinary coronavirus epidemics-turned pandemics. It seems we learned little from the past cases of SARS (2003) and MERS (2012-2015) which did not spread in Japan, thus leaving us with little experience and awareness even among specialists and authorities concerned. So national and local governments, specialists of infectious diseases and public health, desig-

nated medical institutions and others had not developed a well-coordinated mechanism when they recognized seriously the urgent need to cope with this new coronavirus challenge in an integrated manner.

One of the high-priority issues for them was how to prevent "overwhelming hospitals" (or "medical care collapse.")

In terms of the number of beds per population Japan ranks at top but in terms of ICU beds population, it is below other developed countries. A more organizational aspect of the concerns about a potential medical care collapse is how smoothly we could accommodate patients with mild symptoms into alternative facilities. At each hospital level, medical care collapse could occur if infections spread within the hospital, thus paralyzing its medical care service. It seems that with some exceptions Japan has so far not reached that much of a critical situation such as medical care collapse as originally suspected.

Here are some related statistics for your reference:

https://en.wikipedia.org/wiki/List_of_countries_by_hospital_beds

<https://asia.nikkei.com/Spotlight/Coronavirus/Japan-ranks-below-Italy-and-Spain-in-ICU-bed-capacity>

It is noted that this time Japan did not immediately practice a large number of PCR tests. This was mainly because we were totally unprepared for immediately shifting to such an extensive test, but partly also because the specialists and government people wished to prioritize critical patients who need most PCR tests. Moreover, they did want to prevent too many people from rushing to hospitals for PCR tests, which would have caused an overwhelming of the hospitals.

There are a lot of changes needed for this entire problem complex. First, we have to overcome different pieces of bottlenecks so as to get prepared for upcoming next waves. The changes include enhancing the level of tests (not necessarily PCR) by the time we will be challenged by the next wave.

Q4. Both Germany and Japan didn't declare a state of emergency as strong as seen in France or Italy. Do you think a stronger law framework is necessary?

Ortwin Renn

Given the milder outcome of the crisis in Germany, there was no need to be as strict as France and Italy, two countries that were hit much harder than Germany with respect to fatalities. Yet, it will be seen if the present relaxation of measures will trigger a new wave of infections or will be proportional to the risk of late infections.

Q5. The German Gvt. has a track record of failed IT projects like DE-Mail or Toll-Collect, just to name a few. Do you think the "Corona App" can be a success story?

Ortwin Renn

I think, this is less an issue of technical capability than of public acceptance. Germans are very sensitive to issues of privacy and misuse of data. Unless the app is designed in a way that these concerns are ade-

quately addressed, they will not find public acceptance, at least by many German citizens. The app can work only if a vast majority of the people will install it. If that will be the case or not, is an open question.

Q6. Globalisation per se is a systemic risk to national economies. Do we have to accept this with regard to epidemics in the future or do you have recommendations about how to reduce these risks?

Ortwin Renn

Indeed, globalization increases the systemic character of risks and threats and creates more vulnerabilities. However, it can also offer more resilience by providing redundant and diverse means for meeting the critical needs of societies. So, if one country is affected another may be able to fill the gap. Right now, recovery in China has progressed so much that it can deliver its main goods and services to the rest of the world. It is neither possible nor desirable to make each country independent of imports (autarky) since if such a country is hard hit by an epidemic it will be more vulnerable than others. Even in the case of a pandemic there are always countries that recover faster than others or are affected later or less severely. The more pathways for delivering critical services are present, the more resilient is the system as a whole. Thus, autarky is not the answer to a pandemic crisis. The degree of resilience does not depend on how many services one can concentrate in one country but on how many diverse and redundant lines of production and distribution are organized within a globalized world.

Norio Okada

I basically share Ortwin's view. To relate to what I spotlighted in my presentation, SMART governance to enhance the coping capacity at the community or corporation levels would reduce the potential systemic risk or even contribute to better governing (though at a very small scale of) systemic risks in an adaptive and spiral dynamic manner. Again, it requires us to accommodate regional or local differences and enhancing diversity and resilience.

Q7. Is there any horizontal collaboration among local governments for COVID 19-governance comparable to German federalism?

Norio Okada

Japan has experienced a series of natural disasters, some quite extraordinary and others rather familiar ones. So we have gradually developed and evolved horizontal collaboration mechanisms of mutually helping each other to reduce disaster risk in advance and during and after disasters. For instance, the inter-regional (prefectural) collaboration association in Western Japan has been formed to send public administrative support to damaged regions. Also, a special inter-regional fund is raised by all member prefectures to financially support disaster-stricken people. They meet often to share knowledge, experience and information. They also work together to lobby for need changes in national policies for disaster reduction.

Unfortunately, at the outset of this coronavirus infection, there was no such kind of horizontal collaboration mechanism formalized among local governments. As this surprise event spread, governors and mayors became aware of the need for such a collaborative scheme. It seems they are gradually develop-

ing and making better use of such a horizontal collaboration scheme, which is in many ways similar to what has already been established for mutually helping each other under natural disasters, but also different in that many regions suffer at the same time and thus they need more coordination. They have also come to recognize that they can meet much more easily and often than before by doing so online. Like in the case of natural disasters, they will be working together more and lobby for needed changes in national policies to cope with coronavirus challenges.

Q8. How influential were Chancellor Merkel's words to the public? In Japan, there has been a low level of trust in the current prime minister.

Ortwin Renn

The first public speech by Angela Merkel was well received by the German citizens. More than 80% approved of her performance and political decision making. Over the last few weeks, this support has suffered. More and more German citizens express impatience with her cautious political approach. Yet, the majority is still in favor of her way of managing the crisis.

Q9. To what extent can we expect that the experiences made in 2020 with Covid-19 will have a lasting effect on the way our two countries are being governed?

Ortwin Renn

Difficult question: Very often, people tend to forget about their good intentions once the crisis is over. It also depends on how long the crisis will prevail and how badly the economy is affected. However, I would guess that we will see much more investment in resilience, particularly with respect to critical infrastructure. I also hope (but I am less sure about it) that the new investment and recovery programs will be directed towards more sustainable practices in economy and society.

Q10. Could you kindly elaborate on the company regulations (e.g. emergency plans) for the protection of employees?

Ortwin Renn

In Germany we have binding governmental regulations that are also mandatory for companies and organizations, such as religious denominations. These include keeping distance, maintaining hygienic standards, avoiding large crowds, etc. In addition, the government compensates for many losses of affected industries and pays part of the wages for workers that could be laid off due to lack of demand. Beyond these measures, many corporations have given their employees much more leeway for home offices, paid leave for parents or extra vacation for compensating lack of orders. However, if the crisis continues these corporations may reach the limit of what they can still afford.

Norio Okada

Japan has developed relatively advanced schemes to support "natural disaster survivors" including employees losing their jobs. But as far as the ongoing new coronavirus emergency is concerned, we are not

well prepared for designing regulations or institutional schemes for supporting employees. So we are now in the process of building a provisional mechanism step by step. For example:

The Japanese government has raised the ceiling on "employment adjustment subsidies" given to companies that put workers on temporary paid leave. This is a special version of employment adjustment subsidies provided by the national government.

<https://sp.m.jiji.com/english/show/4647>

Another choice has also been introduced by the national government. It is called "*minashi kyugyo teate*" or "De Facto Leave Payment".

This allows an individual employee or freelance worker to get a maximum of 80 percent of his/her average salary as temporary jobless benefit from the national government for the period of the state of emergency that practically forces one to stop business.

Interestingly, this idea is derived from its original version of "De Facto Leave Payment" that was first introduced after Eastern Japan suffered a mega disaster: the Tohoku Earthquake in 2011.