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RESEARCH ARTICLE

The Role of The State in Ensuring Macroeconomic Stability in The Face of The Covid-19 Pandemic

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ABSTRACT

The COVID-19 pandemic demonstrated that macroeconomic stability depends not only on fiscal, monetary, and real-sector balances but also on the State's capacity to prevent health shocks from spreading into economic and social instability. This study examines how the State contributes to macroeconomic stability during pandemic-type crises, with evidence from Vietnam. The study uses a quantitative descriptive survey combined with document analysis. A structured five-point Likert questionnaire was administered to experts, public-sector officers, researchers, and business representatives in Vietnam, yielding 569 valid responses. Descriptive statistics were used to evaluate perceived priorities across five state-capacity dimensions: policy coordination, public health capacity, digital continuity, social protection, and risk communication. The results show strong agreement that timely policy steering, vaccination and disease prevention, online public services, support for workers and vulnerable groups, and transparent communication helped reduce disruption and stabilize expectations. At the same time, respondents identified policy inconsistency, uneven health capacity, slow digital transformation, and targeting limitations as important bottlenecks. State capacity functions as an institutional shock absorber in pandemic crises. Strengthening coordination mechanisms, preventive healthcare, data-driven digital governance, adaptive social protection, and trust-based communication is essential for future macroeconomic resilience.

Contribution/Originality: This study contributes to the existing literature by framing state capacity as an institutional shock absorber linking public health, policy coordination, digital continuity, social protection, and trust to macroeconomic stability. It documents survey-based evidence from Vietnam showing how crisis governance quality shapes resilience and recovery in pandemic-type health-economic shocks.

1. Introduction

The COVID-19 pandemic was a distinctive shock in modern economic history because it did not originate from a purely endogenous imbalance of the economy; rather, it began as public health shock and rapidly spread into a systemic macroeconomic shock. Unlike ordinary shocks, which mainly affect the economy through one or a few channels, the pandemic simultaneously disrupted production, compressed consumer demand, interrupted labor mobility, put pressure on the state budget, weakened firms' resilience, and amplified uncertainty in the market. Therefore, macroeconomic stability in the context of a pandemic cannot be narrowly understood merely as maintaining growth or controlling inflation; it must instead be approached as a state in which the real sector can continue to function relatively continuously, social life remains stable, the financial system retains shock-absorption capacity, and economic agents' confidence is preserved (Baldwin & Tomiura, 2020; Eichenbaum et al., 2020).

Within this approach, the role of the State emerges as a decisive factor. While epidemiological economics models show that disease control and economic activity always involve policy trade-offs, the practical experience of COVID-19 suggests that the degree of vulnerability and the speed of recovery across countries are determined not only by economic structure or income level, but also by the quality of governance, the capacity for policy coordination, public health capacity, data infrastructure, and the degree of social consensus. In other words, in a pandemic-type crisis, the State is not merely the entity that issues regulations; it is also the apparatus that organizes the resilience of the entire economy. When this capacity is sufficiently strong, the State can act as a shock absorber, softening the initial shock, limiting amplification loops between the real and financial sectors, stabilizing expectations, and preventing a health crisis from turning into prolonged macroeconomic instability (Elgin et al., 2020).

Vietnam provides an analytically valuable case. Before the pandemic broke out, Vietnam maintained a relatively favorable macroeconomic foundation, with fairly robust growth, controlled inflation, and some remaining policy space; the public debt-to-GDP ratio had fallen from 63.7% in 2016 to 55.0% in 2019. However, when infection waves intensified in 2021, especially in production and logistics hubs, the health shock quickly turned into a large-scale economic shock, with GDP in the third quarter of 2021 declining by 6.02% year-on-year and full-year growth in 2021 reaching only 2.58% (General Statistics Office of Vietnam, 2021). These developments indicate that macroeconomic stability during a pandemic depends closely on the State's ability to adjust its response strategy, ensure circulation, support people and businesses, and maintain institutional coherence between the central and local levels.

Building on this understanding, the article focuses on analyzing the role of the State in ensuring macroeconomic stability in the face of the impact of the COVID-19 pandemic. Unlike studies that mainly examine the pandemic through individual channels such as growth, employment, inflation, or support packages, this article approaches the State as an institutional shock absorber that connects five key dimensions: policy steering and coordination; health capacity and epidemic control; digital transformation and continuity of operations; social protection and support for vulnerable groups; and communication, trust, and social coordination. Methodologically, the article employs document analysis and synthesis, compares the findings with Vietnam's policy practice, and draws on the author's survey dataset of 569 observations as supplementary empirical evidence; the tables presented in the article are used to illustrate and

reinforce the argument rather than to substitute for a causal quantitative model. On that basis, the article argues that state capacity should be regarded as a central variable of macroeconomic stability and national resilience to future health-economic shocks.

2. Literature Review

Under normal conditions, market mechanisms can reallocate resources and adjust the behavior of economic agents through price signals (Byrd, 2019; Li et al., 2016; Nguyen et al., 2021). However, in a pandemic crisis, the spontaneous adjustment of the market is often insufficient to prevent cascading losses (Goldstein, 2023; Lin, 2025), because the shock not only alters economic costs and benefits but also disrupts mobility, social contact, labor organization, and the provision of essential services (Bodenstein et al., 2022; Marek et al., 2020; Yu et al., 2021). When production is interrupted by lockdowns or social distancing, consumption declines because of defensive psychology, firms lose revenue but still bear fixed costs, and the health system faces the risk of overload. The State becomes the actor most capable of coordinating a collective response on a society-wide scale, with the greatest scope of coverage and coercive power (Deakin & Meng, 2020; Jungherr & Schroeder, 2021; Lunn et al., 2025).

The shock-absorbing role of the State in this context is first manifested in its ability to prevent a health shock from spreading into a full-scale macroeconomic crisis. This requires more than the issuance of administrative orders; more importantly, it demands the simultaneous handling of multiple apparently conflicting objectives: controlling the disease while safeguarding supply chains; limiting social contact while maintaining public services; supporting households and firms without undermining fiscal sustainability; and stabilizing market sentiment while information about the disease changes continuously. Here, the quality of the State is reflected not in the extent of intervention per se, but in timeliness, consistency, intersectoral coordination capacity, and the ability to recalibrate policy in light of new evidence.

From a theoretical perspective, the pandemic highlights the concept of “state capacity” as a component of macroeconomic stability (Croissant & Hellmann, 2023; Ganga & Schenk, 2026; Okada, 2026; Weiss & Thurbon, 2022). A capable State not only helps minimize direct losses but also limits secondary amplification effects through finance, expectations, and uncertainty. In other words, the effectiveness of the State during a pandemic should be understood as a national-level shock-absorption capacity, capable of transforming a severe shock into one that can be managed.

3. Methodology

This study adopts a quantitative descriptive research design supported by document analysis. This design is appropriate because the study does not seek to estimate a causal econometric model; rather, it examines how key stakeholders perceive the relative importance of state-capacity dimensions in maintaining macroeconomic stability during pandemic-type shocks and then interprets these perceptions against Vietnam’s COVID-19 policy practice. The research location is Vietnam, with the empirical focus placed on the national policy response during the COVID-19 pandemic and the recovery period. Vietnam was selected because it experienced both early success in epidemic control and severe economic disruption during later infection waves, making it a suitable case for analyzing the State as an institutional shock absorber. The study population comprised experts and stakeholders with knowledge or experience related to macroeconomic

management, public policy, business continuity, social protection, or pandemic response, including public-sector officers, researchers and lecturers, postgraduate learners, and business representatives.

The final sample consisted of 569 valid responses. The sample size was determined using Cochran's formula for an unknown population proportion at a 95% confidence level and a 5% margin of error: $n_0 = \frac{Z^2 \times p(1-p)}{e^2} = \frac{1.96^2 x 0.5 x 0.5}{0.05^2} = 384.16$. Therefore, the achieved sample of 569 exceeded the minimum threshold and was considered adequate for descriptive survey analysis. A purposive sampling strategy, supported by snowball distribution, was used because respondents needed to have sufficient knowledge of the pandemic's economic, social, and policy implications. The questionnaire was a self-administered structured survey rather than an in-depth interview. It was distributed mainly online through email, professional networks, and Google Forms, with limited direct distribution where feasible. Responses were recorded automatically in electronic form and screened for completeness. Each respondent typically needed approximately 10-15 minutes to complete the questionnaire.

The instrument used a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The questions were organized into five analytical dimensions: (1) policy steering and coordination; (2) public health capacity and pandemic control; (3) digital transformation and continuity of operations; (4) social protection and support for vulnerable groups; and (5) communication, trust, and social coordination. These dimensions allowed the study to distinguish between three issues: the main channels through which a health shock is transmitted to the economy, the state capacities that should be prepared in advance, and the policy priorities that should be addressed while a crisis is unfolding.

Data was analyzed using descriptive statistics. The dataset was cleaned and coded in Microsoft Excel, and SPSS was used to calculate means, standard deviations, and the percentage of responses in the agreement group (4-5), neutral group (3), and disagreement group (1-2). Negatively worded items were interpreted carefully to identify governance bottlenecks rather than to inflate positive assessments. Document analysis was also used to compare the survey evidence with Vietnam's pandemic-related policy practice. Ethical safeguards were applied by informing participants about the academic purpose of the study, ensuring voluntary participation, and obtaining informed consent before survey completion. No personally identifiable information was collected, and the data was analyzed only in aggregate form. As the survey was anonymous, non-clinical, and non-interventional, no separate ethics approval reference was required; the study followed standard research ethics principles for social science surveys.

4. Results and Discussion

4.1. Policy Steering and Coordination: The Center of Macroeconomic Stability in a Pandemic

In crises characterized by high uncertainty, policy steering plays a central role because it determines the coherence of the state response, the smooth functioning of the economy, and the ability to shift strategy when underlying conditions change. Vietnam's case clearly illustrates this. In the initial phase, the State prioritized strict epidemic control through instruments such as border management, quarantine, contact tracing, zoning,

and social distancing; this strategy was institutionalized through Directive No. 16/CT-TTg. As vaccine coverage increased and the economic costs of prolonged lockdowns became too high, Vietnam shifted to the approach of "safe, flexible adaptation to and effective control of COVID-19" under Resolution No. 128/NQ-CP. This shift reflected policy-learning capacity and the ability to recalibrate governance objectives in line with actual developments.

Table 1: Policy and Steering Capacity

NN	Indicator	N	Mean	SD	% (4-5)	% (3)	% (1-2)
1	Support policies were issued on time and at the right moment	569	3.736	0.653	68.5	29.5	1.9
2	Fiscal-monetary-social protection coordination was effective during the pandemic	569	3.750	0.629	69.4	28.5	2.1
3	Support policies were issued slowly and inconsistently	569	3.524	0.774	54.8	36.6	8.6
4	Policies were focused on the groups most severely affected	569	3.620	0.705	58.5	37.8	3.7

Source: Author's survey results

The macroeconomic significance of state steering lies not only in issuing the right legal documents but in its ability to reduce institutional fragmentation. When each locality applies its own rules on travel, the circulation of goods, testing, or administrative permits, transaction costs rise sharply, supply chains are disrupted, and negative effects on production spread more rapidly. Therefore, a unified coordination framework functions as an institutional infrastructure for market stability. In the context of a pandemic, good governance means minimizing the non-market costs generated by the policy response itself.

As shown in Table 1, the author's 2026 survey results reinforce this assessment. The "Policy and Steering Capacity" group achieved a composite score of 3.396; 68.5% of respondents agreed that support policies were issued on time, 69.4% gave positive assessments of fiscal-monetary-social protection coordination, and 58.5% believed that policies were relatively well targeted at the most severely affected groups. These figures indicate that respondents generally recognized the stabilizing role of timely policy steering and cross-policy coordination. However, the reverse statement that policies were issued slowly and inconsistently still received a high level of agreement, suggesting that, alongside successes in governance, implementation lags and the quality of targeting remain notable bottlenecks. This implies that in future crises, improving policy capacity is not only a matter of expanding the scale of intervention, but also of enhancing the quality of coordination and feasibility at the implementation level.

4.2. Public Health Capacity as the First Line of Defense of Macroeconomic Stability

One of the greatest lessons from COVID-19 is that public health capacity can no longer be regarded as a separate social sector; rather, it is a foundational variable of macroeconomic stability. When the health system becomes overloaded, severe cases and mortality rise, social confidence deteriorates, and the State is forced to impose stricter restrictions, thereby causing economic costs to escalate rapidly. Conversely, if the State

has strong capacities in epidemiological surveillance, preventive medicine, testing, treatment, and vaccination deployment, a significant share of the health shock can be "stopped" at the outset, thereby reducing disruption to economic activity.

Table 2: Health Capacity and Pandemic Control

NN	Indicator	N	Mean	SD	% (4-5)	% (3)	% (1-2)
1	Health capacity was sufficient to respond and to avoid prolonged overload	569	3.654	0.706	64.0	30.8	5.3
2	Vaccination and disease prevention were implemented effectively, reducing the degree of disruption	569	3.735	0.698	67.5	29.5	3.0
3	The epidemiological surveillance system enabled early detection and rapid containment	569	3.740	0.699	68.2	28.6	3.2
4	Preventive health resources helped minimize social losses	569	3.764	0.677	71.7	24.8	3.5

Source: Author's survey results

Vietnam's practice clearly confirms this role. Mass vaccination was regarded as a pivotal variable that reduced severe cases and deaths and created policy space for reopening and recovery. As shown in Table 2, the author's 2026 survey results indicate that the "Health Capacity and Pandemic Control" group attained a composite score of 3.723; indicators relating to effective vaccination and disease prevention, epidemiological surveillance that enables early detection and rapid containment, and preventive health capacity were all rated quite highly. Most notably, the item on preventive health resources received 71.7% agreement or strong agreement, indicating that society clearly recognizes proactive intervention tools as a shock buffer for the entire socio-economic system. Nevertheless, the indicator concerning the system's ability to be "sufficiently responsive and avoid prolonged overload" received a lower level of agreement than the other indicators. This reflects the reality that health capacity is not solely a matter of strategic design, but also depends on the depth of primary healthcare, human resources, reserve supplies, interregional coordination capacity, and the ability to mobilize under emergency conditions. In policy terms, this implies that investment in public health should be understood as investment in economic stability, because if the health line of defense is weak, all economic support instruments deployed afterward become merely damage-control measures.

4.3. The State's New Role in Ensuring Economic Continuity through Digital Transformation and Continuity of Operations

The pandemic profoundly reshaped perceptions of digital transformation. Under normal conditions, digitalization is often viewed as a tool for improving productivity and modernizing governance; in the context of COVID-19, however, digital transformation became a resilience infrastructure, enabling many socio-economic activities to continue even when direct interaction was restricted. The role of the State here is not limited to encouraging technological innovation; it also includes building online public service

platforms, data frameworks, digital payments, and digital infrastructure so that society can function under emergency conditions.

Table 3: Digital Transformation and Continuity of Operations

NN	Indicator	N	Mean	SD	% (4-5)	% (3)	% (1-2)
1	Online public services helped reduce disruptions to administrative procedures	569	3.750	0.700	68.2	28.5	3.3
2	Digital payments and e-commerce helped maintain economic activity	569	3.791	0.656	71.7	26.2	2.1
3	Digital infrastructure effectively supported remote work and online learning	569	3.779	0.682	71.5	25.7	2.8
4	Slow digital transformation increased operational disruption	569	3.701	0.696	66.1	29.9	4.0

Source: Author's survey results

Table 3 reports that the "Digital Transformation and Continuity of Operations" group had a composite score of 3.405. Positive indicators all received relatively high levels of agreement: 68.2% believed that online public services helped reduce disruptions to administrative procedures; 71.7% assessed digital payments and e-commerce as helping maintain economic activity; and 71.5% believed that digital infrastructure effectively supported remote work and online learning. These results confirm that digitalization indeed acted as a shock-absorbing mechanism, reducing the degree of absolute paralysis of the economy during periods of social distancing. However, the positive impact of digital transformation does not mean that the State's digital capacity has been fully developed. The reverse statement that "slow digital transformation increases operational disruption" still received a fairly high level of agreement, and even after reverse coding, this indicator still points to significant limitations in the public sector's digital capacity. This suggests that the shock-absorbing effect of the digital channel is still constrained by infrastructure coverage, uneven readiness across localities, data interoperability, and the digital skills of citizens and businesses. In essence, digital transformation during the pandemic was a test of the State's organizational capacity; where data quality, administrative digitalization, and inter-agency digital coordination were stronger, the ability to maintain economic continuity was clearly better.

4.4. Maintaining Social Stability to Preserve Macroeconomic Stability through Social Protection and Support for Vulnerable Groups

If health is the first line of defense, then social protection is the second line of defense of macroeconomic stability in a pandemic. The reason is that a health crisis not only reduces output but also causes job losses, income declines, rising inequality, and pushes part of the population into greater vulnerability. When household incomes fall sharply, consumption contracts, purchasing power weaken, and social risks increase, the negative effects on the economy become more prolonged. Therefore, the State must play

a role in redistributing risk, both to protect vulnerable groups and to preserve aggregate demand and social stability.

In practice, Vietnam implemented several support packages relatively early, such as Resolution No. 42/NQ-CP in 2020, Resolution No. 68/NQ-CP in 2021, and Resolution No. 116/NQ-CP on support for employees and employers from the Unemployment Insurance Fund. However, practice also revealed a number of bottlenecks, particularly in identifying beneficiaries, access procedures, and implementation capacity at the grassroots level; according to the World Bank's assessment, the implementation rate of household income support in 2020 reached only 35.6% (World Bank, 2021). This shows that the effectiveness of social protection depends heavily on data quality and administrative capacity, not merely on the nominal size of the support package.

Table 4: Social Protection and Support for Vulnerable Groups

NN	Indicator	N	Mean	SD	% (4-5)	% (3)	% (1-2)
1	Timely social protection policies helped stabilize living conditions and reduce social instability	569	3.717	0.696	67.3	29.7	3.0
2	Support for workers and small businesses helped reduce labor market disruptions	569	3.738	0.677	68.5	28.8	2.6
3	A strong social protection network helped mitigate the decline in domestic demand	569	3.715	0.694	67.5	28.6	3.9

Source: Author's survey results

Table 4 shows that the "Social Protection and Support for Vulnerable Groups" group achieved a composite score of 3.723. About 67.3% of respondents believed that timely social protection policies help stabilize living conditions and reduce social instability; 68.5% agreed that support for workers and small businesses helps reduce labor market disruptions; and 67.5% held that a strong social protection network helps mitigate the decline in domestic demand. These results confirm that social protection is not only a humanitarian policy but also a macroeconomic stabilization instrument. When the State protects the minimum resilience of households and vulnerable workers, the economy becomes less likely to fall into a prolonged downward spiral in which both supply and demand are weakened simultaneously.

4.5. Communication, Trust, and Social Coordination: The Intangible Asset of Macroeconomic Stability

A prominent feature of a pandemic crisis is the particularly large role of information and trust. In a highly uncertain environment, inconsistent information can increase panic, hoarding, and defensive reactions and thereby exacerbate economic disruptions. Conversely, transparent, consistent, and evidence-based communication helps anchor the expectations of households and businesses and reduces policy implementation costs. Therefore, during a pandemic, the State must manage not only material resources but also social expectations.

Table 5: Communication, Trust, and Social Coordination

No.	Indicator	N	Mean	SD	% (4-5)	% (3)	% (1-2)
1	Transparent communication helped reduce anxiety and negative expectations	569	3.750	0.723	70.7	25.8	3.5
2	Inconsistent information increased uncertainty and defensive reactions	569	3.663	0.761	64.9	28.8	6.3
3	Effective intersectoral coordination helped implement policies rapidly and coherently	569	3.731	0.694	68.0	29.0	3.0
4	High compliance with health measures helped reduce the degree of economic disruption	569	3.779	0.656	70.8	27.1	2.1

Source: Author's survey results

Table 5 reports the role of communication, trust, and social coordination. The "Communication, Trust, and Social Coordination" group had a composite score of 3.399. As many as 70.7% of respondents agreed that transparent communication helps reduce anxiety and negative expectations; 68.0% gave positive assessments of intersectoral coordination; and 70.8% believed that high compliance with health measures helps reduce the degree of economic disruption. At the same time, 64.9% also agreed with the reverse statement that inconsistent information increases uncertainty and defensive reactions, indicating that informational consistency is a sensitive point in crisis governance.

From a policy perspective, this implies that communication during a pandemic cannot be treated merely as one-way propaganda. The State needs to regard risk communication as an integral part of macroeconomic stabilization policy, including data-based accountability, consistent messaging across levels of government, rapid responses to misinformation, and the maintenance of confidence in governing capacity. At a deeper level, social trust itself is an intangible asset that reduces institutional friction, enhances compliance, and enables economic and social interventions to work more effectively.

5. Conclusion and Policy Implications

The COVID-19 pandemic shows that macroeconomic stability in the twenty-first century is no longer determined solely by traditional economic balances but increasingly depends on the State's capacity to prepare for, coordinate responses to, and organize recovery from non-economic shocks. Vietnam's case indicates that when the State adjusts its anti-pandemic strategy on time, expands vaccination, coordinates fiscal, monetary, and social protection measures with relative coherence, promotes digital transformation, and maintains social support systems, the transmission of the health shock into macroeconomic instability can be contained to a significant extent. However, this shock-absorbing effect does not occur automatically; it is constrained by policy lags, uneven primary healthcare capacity, data quality, digital readiness, and the ability to accurately target vulnerable groups. Therefore, the article's core contribution is to emphasize that state capacity should be treated as a central variable of macroeconomic stability, rather than merely as an external institutional context to economic indicators.

Based on the analytical results, the article proposes the following principal policy implications:

First, the approach that treats state capacity as a constituent element of macroeconomic stability needs to be institutionalized. Accordingly, when assessing national resilience, equal weight should be given to preventive healthcare, governance quality, digital infrastructure, and social protection alongside conventional indicators such as growth, inflation, and public debt.

Second, a mechanism for intersectoral, interlevel, and interregional coordination should be established for future health-economic shocks, with the principles of unified response criteria, safeguarded circulation of goods, reduced fragmentation in local policies, and shorter implementation lags.

Third, investment in public health, primary healthcare, and preventive medicine must be increased as a form of investment in economic stability, not merely as social expenditure in the narrow sense. Priority should be given to strengthening epidemiological surveillance, strategic reserves of medical supplies, grassroots-level human resources, and interregional mobilization capacity under emergency conditions.

Fourth, the digital transformation of the public sector should be accelerated in the direction of data interoperability, digitalization for the procedure, and the development of digital identification and digital payments, to ensure the economy's capacity to continue functioning during major disruptions.

Fifth, a crisis-adaptive social protection system needs to be completed, especially for informal workers, migrant workers, household businesses, and newly vulnerable groups, through up-to-date databases, clear beneficiary criteria, and simple, transparent disbursement procedures.

Sixth, risk communication and trust governance need to be treated as integral components of macroeconomic stabilization policy. In a context of high uncertainty, consistent, transparent, data-based information helps anchor expectations, reduce defensive reactions, and enhance the effectiveness of policy packages. Overall, the economy's resilience to pandemic-type shocks depends not only on the scale of intervention resources but also on the quality of state organization and implementation. The more capable the State is, the lower the economy's adjustment costs and the more sustainable the post-crisis recovery.

Ethics Approval and Consent to Participate

The study involved an anonymous, non-clinical social science survey and no personally identifiable information was collected. Participants were informed about the academic purpose of the study, participation was voluntary, and informed consent was obtained before questionnaire completion. The study followed standard research ethics principles and the Declaration of Helsinki for research involving human participants.

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Conflict of Interest

The author declares no conflict of interest.

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