

## 2. Four Ways Out of the Post-Covid-19 Period.

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**I**t has been said before more than once: over and above its effects on health, the COVID-19 pandemic will have major, long-term consequences, especially for the European economy, unemployment levels and the risks of increased poverty and precariousness. The recovery, when it comes, will very likely be Kshaped, with some sectors going back to their preCOVID19 levels and others which might well see a sizeable structural reduction in activity. The most obvious example is the transport sector (by road and air), which could come under twofold pressure, with changes in consumers' travel preferences and major environmental challenges to be faced.

In this article, I will put forward an analysis of the challenges facing Europe and the world as a whole. The purpose is to encourage discussion and exchanges of ideas about the crisis and what comes after the crisis. I will start by analysing the challenges Europe currently faces and then put forward four scenarios. The object of these is to get us thinking about the medium-term issues this crisis throws up and looking ahead to potential developments that would not be in the direction of greater social justice.

At the European level, what the pandemic has cast doubt on is the very fundamentals of European integration. The main features of the European Union (the EU), what could be described as its "pillars", are these: the single market and freedom of movement, the euro and the Stability and Growth Pact, and competition and state-aid law. At the present time, these three pillars are being powerfully shaken, not to say called into question. They are sure to be at the centre of discussions in 2021 about the practicalities of emerging from the crisis and the future of the European integration process.

As regards freedom of movement for people, the re-establishment of internal borders when the pandemic started was obviously a highly symbolic, landmark decision, as it proved that "others", in the form of European citizens from other Member States, are still seen as potentially dangerous foreigners because they might be carrying the disease. During the summer, we might have thought a carefully managed reopening could have taken place, but it did not happen. From mid-August onwards, what we saw was a new fragmentation of the space for mobility and a bewildering array of colour codes (from green to red), still

interpreted from a national point of view. As a second wave is striking, that will continue to be a topical issue. This return to internal borders raises the very delicate question of what the final removal of barriers should mean. When should it happen, and, in particular, on what conditions (health, economic, political) will we think we can re-open them completely without running too many risks? Will it happen first on the borders of the Schengen area, or by groups of countries (Benelux, the Baltic states, the Iberian peninsula and so on)? In the absence of a common approach to managing the health crisis, and confronted as we are by different, not to say divergent, national approaches and practices, the most realistic hypothesis might well be that the internal borders will stay as they are for a long time, varying, as circumstances dictate, from being more or less sealed to being permeable. As for the EU's external borders, the current example of China suggests that keeping the national territory firmly closed to the outside world, having overcome the internal health crisis, is set to be the norm.

Turning to the future of the euro, in the context of a monetary union devoid of solidarity mechanisms and without any supranational political governance, the rules of the Stability and Growth Pact have, of course, been (temporarily) suspended, in sharp contrast to the way the previous crisis was managed. At that time, it triggered a period of drastic austerity. With that precedent, the biggest surprise has been the agreement to allow borrowing at the European level. This potentially constitutes a radical change in the ongoing development of economic and monetary union. At the same time, though, the transfers and loans concerned will be under scrutiny by the countries most averse to the emergence of European solidarity. Where we will be able to see whether a genuinely decisive step forward has been taken will be in the details of how this is implemented. The European semester has certainly become more about social questions (Raimone, 2020) but, even so, the talk of structural reforms is still part of the EU's agenda and the European narrative.

The challenge, though, will be to look ahead to the post-COVID-19 period here too. The Member States' budget deficits and state debts will be bound to explode, but they can be financed in different ways. There is a challenge to the economy here in the short term, but also in the medium term (how to finance the revival, or what kind of revival it should be). What is more, will the institutional innovations now being adopted be temporary or longer-term? Is the SURE initiative (EU aid for national short-time work schemes) temporary or the beginning of a lasting EU unemployment-reinsurance system? Is being able to borrow and provide Member States with aid a paradigm structural change or, as the governments of those Member States described as frugal would have it, a temporary and limited form of aid? In contrast to the previous crisis, which

gave no scope for much progress towards supranational governance of the single currency, this is the second and very probably the last opportunity for doing so. Finally, the relaxation of restrictions on state aid and the rescuing of companies in distress will reconfigure what is seen as possible and legitimate as opposed to what is not. At stake here is the legitimacy of intervention by the State in economic life which lies at the heart of the change. The effects of this crisis on the real economy will be long lasting, and getting back to normal will take time, which will again involve different discussions and allow different choices from before. Will the role the State plays in the economy, whether indirectly or directly, basically “rescue” the traditional sectors (air transport, oil or vehicle production) or, conversely, push us towards an ecological transformation? For the moment, demands in the social sphere (relating to employment and social dialogue) or in terms of the environment have not been central to the aid given to companies. The announcement that emissions are to be reduced to between 40% and 55% of the 1990 figures is a radical change and, if it is taken seriously, it will entail very far-reaching sectoral changes.

We can already look ahead and see that the post-crisis EU could be standing on very different foundations if the questioning of the three basic pillars continues over time or, conversely, it could just as easily go back to its old ways. What will the world environment in which this happens be, though? Here I can see four possible scenarios emerging. Sketched out briefly, the point of these scenarios is to look ahead to possible changes and, at the same time, gauge certain risks.

The first one (contrary to what I have written before) is that we might return to the orthodoxy of neoliberalism and austerity – a bit like what happened in the previous crisis (2008-2013): a more or less green recovery in 2009 was succeeded, more radically, by a reversion to the fundamentals of neoliberalism. This is what eminent researcher Colin Crouch has called the strange non-death of neoliberalism. This seems to me much less likely (but not to be ruled out) in this crisis. We seem to have learned the lessons of the previous crisis and the poor management of it, and it is difficult to see the political conditions emerging for imposing an austerity diet on the public sector in one or two years’ time. Yet the reactions of certain national employer organisations, growing tensions within certain states and the bailouts of industrial and service sectors without real social conditions relating to redundancies or environmental conditions all point to this being the increasingly likely outcome. When debt has gone up from 20% to 30% or more and the risk of a pandemic has lessened, there will certainly be more and more calls for a rapid reduction in public debt. What is often forgotten, too, is that the austerity of 2010-2013 arose out of the unprecedented

predominance of right and centre-right governments in Europe (Pochet, 2019). There is no guarantee that a political reversal of this kind will not happen again (Benchmarking Social Europe, 2020).

The second scenario is what I call the Chinese path. In the end, that is the country that has done best in health terms, if we compare it to the EU and especially the United States. We would be moving towards a more authoritarian state, monitoring the population by tracing people's contacts using new means based on artificial intelligence, with restrictions placed on (sometimes quite fundamental) freedoms in exchange for a feeling of protection of the national territory and a degree of efficiency in the authoritarian management of the pandemic. This opens up opportunities for tech giants to access increasing amounts of data. Even though the present tracing system seems to offer wide-ranging guarantees, no one can be sure that, in the name of greater efficiency in information management, these guarantees will not be whittled down in time. The fact that this health crisis could be recurrent or a long-term situation would make it possible for more authoritarian governments (such as in Hungary and Poland) to assert themselves as the guarantors of their citizens' safety and security. This is in line with the pattern identified above involving national management of borders and travel as a supposed guarantee of policies to control the pandemic.

This goes hand-in-hand with the fragmentation of the world and a more or less radical scaling down of trade ("deglobalisation"). Here again, the example of the United States under President Trump is telling. But it is a more general trend, not confined to the USA: the idea of strategic investment in Europe, albeit for the moment in a limited number of sectors (military, health, etc.) could constitute an indication of the emergence of tighter trade hubs. The relevant unit becomes the national territory – with social control ramped up with the help of 5G networks.

The third scenario is a return to growth at any price. The way out of the crisis would be unfettered catch-up consumption without much consideration for the environment, a sort of rerun of the *Belle Époque* or indeed an end-of-the-world party. That would obviously have a positive impact on conventional economic indicators (GDP) and reduce bankruptcies and unemployment in the short and medium term, but it would have major negative long-term consequences. The calls by certain governments (such as in the Czech Republic) or sectoral players to forget the Green Deal underline the strength of this scenario. We can see it clearly in the case of European agricultural policy or that of green chemistry, where vested interests oppose change in the name of jobs. This, of course, runs

counter to the calls for, and commitments to, emission neutrality by 2050 in the case of the EU and now 2060 for China. That being the case, it is mostly just talk, and there is no real sign of any proper implementation plan (IEA report, 2020). This scenario could have an even more negative variable. Should consumption not really pick up again, calls for recovery would give new impetus to demands for less account to be taken of environmental concerns and for greater labour-market “flexibility” at the expense of workers, and this would go on happening. Seen this way, the third scenario would greatly resemble the first.

The final scenario involves accelerating the ecological transition and rapidly rethinking our growth (or shrinkage) model with a return to public services, common goods and solidarity at the heart of the economy and social affairs. We are also seeing the seeds of this in the present situation, not just with several governments and civil-society players supporting the Green Deal but also with the part certain cities, such as Paris and Brussels, could play in bringing about this faster transition. But this transition would be taking place against a background of high unemployment and a severe economic and financial crisis that would make it very complicated to carry through successfully. Two factors are set to have a decisive influence. The first is the partial relocation of production chains (strategic sectors) and a certain environmental protectionism (taxes at the borders). The first point has a lot in common with the second scenario, and an extreme version of environmental protectionism might not be so far removed from the more authoritarian scenario. What would be different would be the idea of cooperative protectionism. Cooperative protectionism aims to achieve the same goal, a drastic reduction in greenhouse gas emissions by each contributor, as opposed to antagonistic protectionism which sets out to win against others. The second factor is the reduction of working time. Here, the second point is certainly the key. It constitutes, however, a dividing line between the neoliberal scenario 1 and the recovery-at-all-costs scenario 3. As a tipping point, it is, in my view, strategically the most important aspect in structuring upcoming debates. The fact that IG Metall is going back to the question of working time in the vehicle sector suggests that it is an option that could win backing from powerful players.

Obviously, these four scenarios are not mutually exclusive and can be combined and developed in parallel in different regions of the world, depending on the relevant balance of power. It sometimes takes only a little to switch from one scenario to another, and the strategy of collective actors will play a key role. There are no lessons we can learn from previous pandemics, and this one leaves different paths open (Boyer, 2020), but it seems likely that we are moving towards a very different and not necessarily automatically better world.

## References

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