We are currently in the grip of an unprecedented pandemic that can be understood only through the prism of globalisation. We talk about radical uncertainty, but there had been ample prior warnings, so it is more a case of radical unreadiness. All the way back in 2016, the World Bank and numerous researchers issued warnings about a pandemic, which they predicted would begin in China. Today, we are responding on an essentially national basis to a virus that knows no borders. We talk about international solidarity, which, although essential in today’s interdependent and deeply unequal world, is woefully inadequate. The pandemic has accelerated and detonated a crisis that was brewing in an extremely unstable economy. In September 2019, several of us warned that a recession was inevitable. It is now upon us, and it is crucial that we prevent the subsequent depression from wreaking irreparable havoc. We must act now to make sweeping changes that will pave the way for recovery and generate collective hope.

Facing a systemic crisis in global capitalism

Right now, we are confronted with a daunting conflict between staying in lockdown or getting the economy moving again. It is vital that we find a solution. Support mechanisms will be overwhelmed if this conflict continues for any length of time, which looks likely. The risks of bankruptcy, loss of value, destruction of capital and large-scale unemployment are obvious.

This latest crisis in global capitalism is far more serious than that of 2008. Shortly after the overload debt bubbles burst, China and the United States kick-started their economies through large-scale investment. Today, the two powers are no longer in a position to drive up demand in the global economy. Their growth regime is seizing up and, above all, the competition between them has turned into strategic rivalry. On the other hand, the European Union, which did not kick start its economy but merely stabilised its banking sector, has become increasingly divided and weak over the course of a lost decade, to the extent that it is threatened with disintegration.

This time, it is acting quickly. In response to this public health emergency, it has fired a massive “financial bazooka” to support the economy. The Member States are agreeing to huge public deficits and accumulating new debts. EU support consists of loans with repayment guarantees based on national budgets. The Commission’s Sure programme is helping to finance furloughing schemes. The Central Bank is taking more significant action in the form of immediate liquidity and the assumption of national debt. This “bazooka” is nonetheless conventional in that it is piling debt onto debt in the hope that growth will pick up again in the future. However, the coordination between Member States has not yet developed into genuine cooperation.

Sharing the debt burden and, above all, establishing an investment strategy

The EU Member States are inherently unequal in terms of competitiveness and fragility. The most vulnerable have little interest in the “European solidarity mechanism” and it would be a mistake to underestimate the burden of public debt. There is no miraculous solution. The debt will not be forgiven, and private risk averse investors will not be in any rush to finance recovery. Moreover, their funds are backing away from Europe. In the last ten years, corporate debt has increased substantially and large companies are already

1 How should Europe respond to the new crisis in global capitalism? - www.entretiens-europeens.org
asking for help. The mass of people employed in small and medium-sized companies are liable to be thrown out of work. Countries like Italy, or indeed Spain, will refuse to be treated as Greece has been. A number of taboos must be lifted.

The ECB should not print money only to purchase debt, but also to provide cash (with no repayment requirement). In the United States, the Fed is going to give a cheque to every American, a policy which is referred to as “helicopter money”. In Europe, it would be preferable for the ECB to print money to provide cash-strapped SMEs with quasi-equity, and to help finance the rebuilding of the European productive system.

Furthermore, the debt should be shared between the Member States on a community-wide basis. The idea of issuing Eurobonds is a good one, but more effort should be made to clarify the purpose of such solidarity. The Scandinavians and the Germans enjoy an enviable degree of social cohesion, but they also have their own specific political difficulties; as for the southern European countries and France, they are not in a position to lecture anyone about solidarity. In my view, a shared debt instrument should serve not only to relieve the pressure on individual Member States but, above all, to finance projects of common European interest that will build up solidarity between people across the entire Union. I would remind you that Jean Monnet pooled industrial policies, not national debts (European States benefited from America’s Marshall Plan).

A real European budget must be prepared as a matter of urgency (by reworking the current one). Its purpose would be to create common public goods by financing human and productive projects. To this end, it would co-finance the development of a large-scale Investment Fund with the ECB, the EIB, national public banks and insurers, which would acquire holdings in decentralised funds. The European budget must have its own resources: a European tax on the profits of major multinational corporations and a carbon tax including imported products.

**A European human and productive solidarity pact**

These proposals are designed to address the priority issue, which is the proper use of funds. Their societal objective must be made clear: full and better employment through a new development approach involving an EU-wide strategy to reposition European industry in the global value chains. Essential sectors like healthcare, education, food, transport and data processing must be treated as common goods. European cohesion must be strengthened through a sort of division of labour; a European human and solidarity pact is necessary to achieve this. The Member States must support, rather than control, this process. Companies and local authorities must be mobilised. Their joint responsibilities must be clearly established through partnerships in essential sectors, and cross-border project platforms must be set up. This will mean organising a pan-European forecasting and planning network alongside the Commission. At present, the “Green Deal” is not backed by a strategy for the sustainable rehabilitation of productive systems and habitat.

The rivalries between major powers are going to escalate, which is a major concern. The United States is turning its back on international cooperation. China has under-utilised production capacity that could sink our efforts to respond to post-crisis demand ourselves. The concept of “European sovereignty” is therefore ambiguous: does it mean protecting our “champions” by discarding the dogma of competition that prevails across the Union, or consolidating our common production areas? What kind of trade policy should we have? Legitimate protection is valid only if Europe is able to establish cooperation of mutual interest with other parts of the world, including China of course (holding China entirely responsible for the virus does not bode well). The emerging world has already been affected, and the most vulnerable countries are going to find themselves in an extremely serious situation. Ethiopia’s Prime Minister Abiy Ahmed has warned Europeans that “if the virus is not defeated in Africa, it will only bounce back to the rest of the world!” Africa is mobilising but famine looms and external funding is declining. It is not enough to simply grant a moratorium on debt servicing (which does not take much effort at all for wealthy countries!). The IMF must provide substantial amounts of liquid funds through special drawing rights. And Europe must engage massively with African countries by participating in their industrial development projects and reducing the cost of capital through risk-sharing arrangements. Considering Africa’s huge development potential, this is a matter of vital interest to our own future.

The risk of social and political upheaval is going to grow, and I understand the call for national unity. But I do not support a “return of State intervention”. While it does, of course, provide a solution to the crisis, it is every bit as much a problem! The mobilisation of responsible and supportive civil society organisations will be a decisive factor. On the other hand, European unity cannot be taken for granted at all. Moreover, inequality is going to increase; France itself has been weakened. There is a huge pool of human potential in Europe, but it is sitting idle. We must rethink the European project with a view to reducing radical uncertainty and programming hope².


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² I have borrowed the title of this article from the wonderful book written by the late Claude Gruson, who was my mentor at the French Forecasting Directing Institution in the 1960s.