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Logic, facts and common sense in the time of Covid-19

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Abstract

European countries have faced the Covid-19 pandemic unprepared and on the basis of scant scientific knowledge about the virus. After a lot of hesitation and muddling through, most of them seem to be converging towards something that could be called “the Italian model”: general lockdown of activity and confinement of the population with the objective of flattening the contagion curve and avoiding unbearable pressure on understaffed sanitary services. While the search for treatment and a vaccine accelerates, massive testing is being developed. This is still very uncertain, but some results can be seen. The EU institutions have been criticised for not having acted collectively; however, it is difficult to see what could have been their value added absent credible scientific expertise. More worrying is the fact that unilateral and uncoordinated national decisions have affected two cornerstones of the building: the free circulation of people and of goods. The epidemic and the lockdown of most economic activity is threatening with a recession much more severe than the one that followed the financial crisis of 2008. The ECB has reacted by massively increasing both its QE and the liquidity that it provides to the banking system. The EU has also suspended the rules of the SGP and of the control of state aid. This allows governments to pour almost unlimited amounts of money into the economy. This is necessary, but since the fiscal and structural situation of the member states is very different, there is the risk that national actions could increase the divergence between the member states to a point that would be close or beyond acceptable limits. Some kind of common action is therefore necessary, but it is being negotiated against the background of a persistent breakdown of mutual confidence as well as a fragile domestic political situation in several countries. A bridge has to be found between two incompatible narratives: rules without solidarity and solidarity without rules. On those bases, this paper explores the options that are realistically available to negotiators.

Ever since the works of Kahneman and Tversky, we have learned that in a situation of stress humans are more inclined to use the part of their brain that makes them to follow instinct and express emotions. Stress being a major component of the present pandemic, we are driven by often contradictory emotions: fear and denial, request of instant solutions but contempt for the authorities that are supposed to deliver them, rejection of foreigners but call for international cooperation, the belief that a world has come to an end and a desperate desire to carry on as before. At the moment of writing this paper, it is interesting to remember how recent all this is. From what we know, the virus originated in the Chinese province of Hubei sometimes last winter, maybe before. The Chinese authorities only acknowledged its existence and danger much later and public opinion in Europe started to be alerted to it in the new year; however, the issue did not climb the list of public priorities before mid February. We are therefore living with a devastating threat that has been present in our minds for barely three months. In these conditions it would be honest to sympathize with public authorities that, to borrow a line from Walter Russel Mead, must confront a problem that they don't fully understand with instruments that they don't really have. In this respect, no public authority is in a worse situation than the EU institutions whose powers are limited and whose legitimacy stands almost exclusively on rationality rather than emotions. This paper is a modest attempt to restore the rest of the brain, logic, common sense and facts to their proper place.

Thanks to the well-known lack of transparency of the Chinese authorities, when Europeans woke up to the danger, scientific knowledge about the nature of the disease was very limited. Since then the international scientific community has made some progress in a limited amount of time. We don't have a certified treatment yet, let alone a vaccine, but we know more about the virus and its effects; the machine of modern science, from China to the US, to Germany, France, Italy and elsewhere is working at full speed. However great uncertainties remain concerning the nature of the contagion; models on the likely speed of the pandemic developed by the best universities, produce vastly different results. Big questions remain about the danger posed by asymptomatic carriers of the virus as well as about the level of immunity of those who have recovered. In the meantime, public authorities have to react to a growing panic with scant and sometimes contradictory scientific advice, with the additional difficulty that the engine of democracies is famously slow to start.

Their response has constantly been reactive rather than proactive and, so to say, behind the curve. The result has been a flurry of initiatives and decisions announced almost daily, first to cope with the sanitary situation and then with the consequences on the economy. One could say that it is typical of democracies to react to events and not to function according to plans, but although factually true it is not a satisfactory explanation. Such a behavior has had political costs. A public opinion dominated by emotions wanted guidance and certainty; the governments have offered a moving target and are constantly accused of acting too late. Poor communication has compounded the problem. Was this inevitable? The only example of a democratic country that seems to have reacted effectively is South Korea. Their model is based on massive testing outside hospitals, isolation only for those that are found infected and systematic tracking of all the people that may have been in contact with them. An advantage is that in this way the government has been able to reduce economic disruption. On the basis of the available data, the results are good. Several factors probably played a role. When the virus started to hit, Korea already had a plan that has been put in place from day one when the first signs of the epidemic appeared. This was facilitated by the proximity with China, by the experience with other recent epidemics and a population much more ready to comply than recalcitrant Europeans. Whether the Korean model could have been, or indeed could be in full or in part exported successfully to Europe, is a matter of debate. However, as it happens European countries were not prepared, did not act on

day one and certainly not with a comprehensive plan. They only started to move when the epidemic was already out of control. The spread of the epidemic has been exponential and the pressure on sometimes understaffed and underequipped health systems immense.

Some governments have played with the concept of “herd immunity” which means that we should let the contagion spread, counting on immunity that over time would cover the majority of the population; in the meantime only the really sick people would be taken care of. It has soon appeared that such a hand off approach would be unmanageable for the health system and would lead to an unacceptable number of casualties. What has emerged in the last few weeks is rather a response that, with few exceptions, tends to converge towards what could be described as “the Italian model”: targeted but increasingly strict limits to the movement of people and restriction to economic activities with the objective to reduce contacts and consequently the danger of contagion. Testing has been limited to people suspected of being infected: an approach that is increasingly criticized. Countries like Germany that test massively seem to have better results. Since we still don’t have a treatment or a vaccine, if contagion can be limited or at least delayed the curve can be flattened and the burden on hospitals and medical teams reduced. If the model is similar, are countries applying it in the same way? No. Are they doing it in a coordinated way? No. The point that one has to keep in mind is that to constrain people’s freedom in a democratic country is an extremely difficult thing to do. Compliance is necessarily patchy and can take place only when a sufficient number is convinced that there are no alternatives. This explains to a large extent why countries have moved at different speeds, trying persuasion before coercion. Italy has found itself ahead of the curve of the contagion. Everybody else has then been obliged to realize that they were not on a different path; they were simply a few weeks late in respect of Italy.

Communication and trust are proving to be the key. A situation of uncertain and evolving scientific knowledge in a social context dominated by emotions, opens the way to all sorts of fake scientific advice that the media are ill equipped to screen. People under stress want to believe in instant solutions, simple explanations for complex problems and are even more open than usual to conspiracy theories. A phenomenon that has predictably been amplified by the familiar manipulation of western media by Russia and possibly China as well. Fortunately, one effect of the crisis has been to restore somewhat the prestige of experts and scientists. This is a good thing, but the scientific community can be a source of some cacophony, particularly taking into account that scientists are seldom good communicators. In the face of evolving evidence, even the most respectable virologists are bound to have opinions that, if not contradictory, are diverse enough to create confusion in the general public. Since it is a known effect of confirmation bias that people tend to select the expert advice that fits better with their instinctive hope or fear, it is easy to see how this creates additional difficulties for public authorities. It is therefore not surprising that many governments implore citizens to listen only to official sources of information. It is also interesting to note how symbolic gestures (such as the arrival of a ton of protective masks from China or Russia) or the lack of them, occupy the public conversation at the expense of more effective measures. Symbols are notoriously the stuff of lazy politicians and are liked by the media because they don’t require serious research; they are the food of choice for the wicked emotional part of our brain. Worryingly from a European point of view, public denigration of other member states as well as lack of understanding for their acts and motivations is going back to the levels that had been reached at the peak of the financial crisis; the resurgent Germanophobia in Italy is a good example. Since mutual trust is a precondition for any meaningful agreement at European level, the willingness to compromise is diminished. All this is compounded by a mass media that is run by people who know that anxiety is good for business; people who are often relatively young, have no direct experience of previous catastrophes, hold boomers in

contempt, think that history is obsolete and regard memory as an unnecessary burden on one's mind. When all this is over, it will be interesting to study the role of the media in the time of the pandemic.

The big question is how long this situation can continue before we face an open rejection of restrictions that become stricter by the day: a few weeks, some months, more? A worry is that we could see a repeat of the "Spanish flu" that at the end of the first world war provoked more casualties than the conflict itself: after an initial outburst, it subsided, only to start again with new vigor after a short period of illusory calm. Obviously, much will depend on the effectiveness of the measures that are being taken, as well as on the speed with which a treatment and a vaccine are developed. The fear of limited resilience of the public is one of the reasons why some governments try to delay coercion. The other fear is the effect on the economy. On the one hand if we allow people to get sick and die, the economy will come to a stop anyway. On the other, we don't want healthy people to die of starvation or even civil war because in the meantime the economy has collapsed beyond the point of recovery. At some point there are choices to be made and risks to be taken.

All this is obliging us to change our lifestyle. One interesting example is France, where 13 million people used to have their meals in collective canteens in schools, universities or at the work place. Not being able to rely on canteens is having a big impact on the distribution of food in the supermarkets and presumably also on the eating habits of the persons concerned as well as their families. What will people that were accustomed to spend most of their day outside the home do, when they are confined within an apartment that is often rather small? Will they go for more books, more TV (but no football), more videogames, more sex, a new baby boom, depression? Will people rediscover the pleasure of cooking their own meals? If so with what impact on the food chain? Will there be more divorces, more domestic violence? Will the collapse of tourism undermine the flourishing Airbnb business? Will this stop the escalation of rents in our city centers, making life there more affordable? Will payments in cash, still the preferred method in some countries, suffer a final blow? Many schools and universities are trying to replace classes with distant learning. How effective will it be? What will be the impact on inequalities of a school system that is supposedly universal, but is obliged to depend on technologies that are not equally available? How productive will teleworking practiced on a large scale, prove to be? Divorce settlements could become harder to agree because one or both partners lose much of their income. We can be confident that academic careers will be built on the study of these questions.

Another feature of the pandemic is its impact on the functioning of the democratic system and the state in general. The normal functioning of democracies normally implies that people meet physically to debate and make decisions at the different levels of Government. The necessity of physical distancing induced by the pandemic calls for that proximity to be limited to the strict minimum. Modern technologies can help, but only up to a point. Their shortcomings are well known. Public authorities are trying to cope and innovate, but it is inevitable that the performance of the institutions is less effective than the circumstances would require. The impact is particularly negative for Parliaments and representative bodies in general. Like it or not, the role if not the formal powers of the executive branch are increased, as we can see from the multiplication of decrees and emergency powers.

When it is wrong to blame the EU

With those dramatic developments comes the usual question: why “Europe” (i.e. the EU, i.e. Brussels) cannot intervene to solve the problem? After all, how good is an organization that harmonizes the exhaust systems of cars, but doesn’t intervene in a situation of life and death? The question is compelling in general, but even more so for the emotional part of one’s brain. One easy answer is that in the field of public health the treaty doesn’t give the EU any direct competence other than one of light coordination and exchange of information. The answer is correct and it is important to keep it in mind, but it is not sufficient. A more convincing answer is that, since everybody had to cope with an unforeseen event with insufficient scientific knowledge, it was only too natural that the main responsibility should fall on the only level where this knowledge exists: the national level and, as far as the international one is concerned, the WHO. At the end of the day, those who were called upon to act were the national governments. What leads us to believe that the institutions of the EU could have been better prepared to react rapidly to the epidemic, than the member states that had most of the knowledge? It became clear quite soon that the main challenge was to decide how and when to impose restrictions on people’s freedoms; national governments are the only authorities that can do it. To imagine that a single protocol imposed by Brussels would have helped, is simply absurd.

Could we now make the whole thing more uniform? Perhaps, but it could be more difficult than one thinks. People react to restrictions in different ways in different countries, depending on their entrenched habits and culture. It seems for instance that some Scandinavian and Baltic countries are more receptive to persuasion because the population is routinely trained to confront situations of national emergency. While countries are moving broadly speaking in the same direction, the national narratives tend to differ. Take France and Germany. The substance of the message from their leaders is not very different but Macron warns that “*nous sommes en guerre*” (we are at war), while Merkel calmly states that “*es ist ernst*” (this is serious). We are also discovering in many parts of the society a libertarian streak reluctant to accept any limitation of individual freedoms and deeply suspicious of public authorities. In some instances, the army had to be deployed. Even within individual countries, the case of Italy is a good example, it is hard to impose uniformity to the different regions and municipalities. In Italy, in France and in Scotland we are seeing a hostile reaction of rural communities against city dwellers that decide to spend there the period of confinement. In the US, in part due to the inconsistency of the reaction at the federal level, every State is going its own way. Maybe absolute uniformity is both impossible and also not desirable.

And where it may be justified

There are other issues where the criticism levelled on the EU is more difficult to dismiss. They concern two of the cornerstones of the building. The first is the single market. The principle of free circulation of goods within the EU is paramount; however, the treaty gives governments the possibility to limit it in case of a serious emergency. When the pandemic started to become dangerous, some countries, namely France and Germany decided to limit the export of medical and protective equipment critical for the response to the virus. This has unfortunately coincided with an aggravation of the Italian crisis and a shortage of equipment needed by country’s hospitals. The emotional response in Italy has predictably been strong and the damage to the reputation of the EU considerable; a generous offer of equipment has immediately been made and by...China

and Russia. The Commission intervened rapidly and the situation is now theoretically back to (almost) normal. However, the damage has been made and it is clear that the balance between the right of member states to use emergency powers and the requirements of European solidarity will have to be better kept in mind in the future.

In the meantime, the EU has decided an export ban of critical equipment and is trying to mobilize European industry in a coordinated way. This is crucial and should have been done earlier. We were dependent on China for some elements of the supply chain of critical medical products, but at the same time some of the world's industrial capacity for some of the equipment (ventilators, testing devices) are in Europe and notably in Germany. To close borders and not mobilize the entire potential of European industry, is not only contrary to the single market and solidarity; it is also self defeating if we want to fight an epidemic that knows no borders.

The second issue concerns limitations to the free movement of people decided unilaterally and in a disorderly way by several countries. The Schengen system is now practically suspended. From a legal point of view what governments have done is legitimate; they have the right to intervene in a situation of emergency. These decisions are also difficult to challenge in practical terms. If I am not allowed to move within my own country from Rome to Frascati, why should I be free to move from Ventimiglia to Menton or from Rome to Madrid? Restrictions at internal borders of the EU can be considered to be the consequence of restrictions within individual countries. Again, given the symbolic importance of Schengen, the problem has been the messy and unilateral sequence of the national decisions. Order has now been reestablished at least in theory. The European Council has endorsed a guideline issued by the Commission that regulates the right of passage both at the external and at the internal borders of the EU and that includes countries such as Norway and Switzerland that are not EU members, but part of Schengen.

Both issues have two things in common. One is the potential conflict between the legitimate right of member states to protect themselves in case of emergency and the requirements of European free circulation of goods and people. The second is that whatever decision is made at European level in order to reconcile these two principles, it will have to be enforced by national authorities over which the Commission has no real power of coercion. The evidence so far is that implementation of the agreements that have been reached is, to say the least, patchy. Restrictions in the circulation of critical medical equipment are still in place, long queues at some borders such as that between Germany and Poland are highly disruptive. It is not clear to which extent this is due to bureaucracies that are out of control, or to deliberate political will. Whatever the reason, it is a situation that is not only negative for the credibility of the EU, but also highly damaging for the success of a sanitary effort that depends on productions that rely on complex supply chains.

The economy, stupid!

The transmission of the health emergency to the economy has happened in two steps. First, we experienced some interruption in the chains of production that depended on critical Chinese supplies. Following the lockdown of the Hubei province, severe disruptive effects were immediately felt in various sectors, such as automobiles, electronics and, more critically, pharmaceuticals. This was only the beginning. The gradual but general lockdown in Europe that started with the northern Italian regions that play an important role in some

supply chains, is delivering a double shock that concerns both the demand and the supply side. Some activities such as tourism, air travel, entertainment, professional sport, restaurants and bars are closing down. Schools are closed putting an increasing burden on family members. Factories are reducing their activity, or stopping it altogether; redundancies are the consequence. Teleworking is not an option that can apply in all circumstances. Finally, contrary to the crisis of 2008 that started in the financial system and then was transmitted to the real economy, the opposite is happening this time. As the real economy grinds to a halt, the banking system is affected. All the elements of a severe recession are there. Its depth will depend on the duration of the pandemic.

This crisis has also a big impact on inequalities because some sectors of the society are more affected than others: people who for whatever reason cannot practice teleworking, workers that have precarious contracts or are in the black economy and are more likely to be made redundant without protection, some self employed, old people with very small pensions, immigrants more than anybody else.

In a desperate attempt to enforce social distancing in the face of low compliance, but also in response to the fear of workers to be infected on the workplace, Italy has moved a step further and made the closure of all non-essential economic activities compulsory. These are measures difficult to enforce, if only because in an economy with complicated supply chains the concept of “essential activity” is not easy to define. The pharmaceutical industry must clearly continue to run. But what about those who supply parts needed for the production? And what about those who manufacture the machines that are necessary to produce those parts? If I close down everything “non essential” in order to protect those workers, what about the safety of the workers in the sectors that are considered essential? Such a desperate move is clearly a big gamble against time. If the pandemic lasts too long, the effect on the economy could be devastating and recovery much more difficult.

If there were obvious limits to what the EU institutions could do to face the epidemic, there is no doubt about the necessity of a coordinated response to its impact on the economy. There is a certain parallel in the reaction of governments to the epidemic and its impact on the economy. It has taken sometimes for them to wake up to the seriousness of the situation. They have started with limited actions, but the last few days have seen a flurry of decisions. Since new initiatives are announced by the day, it doesn't make much sense to describe, even less to try and put a figure on them. All that can be said is that they amount to several points of Europe's GDP and can be summarized in two words: no limit. All instruments, fiscal, budgetary, financial, that government have at their disposal are deployed to make sure that the health system has adequate resources, that workers that are made redundant don't lose their income, that firms are compensated to limit redundancies, that enterprises and banks don't go bankrupt and that credit continues to flow to the economy, particularly to the SMEs. The instruments include subsidies, moratorium on payment of taxes and other contributions as well as guarantees and credit lines; they are extended to firms, workers and the self employed. The governments are becoming the “payers of last resort” for the economy. In addition, many of them are preparing to intervene directly with temporary nationalization of critical business. Mario Draghi has written a powerful article in the FT explaining why this is necessary and its inevitable impact on the growth of public debt. Will some of that money be wasted or go into the wrong pockets? Presumably yes. Will some of the measures be badly implemented due to bureaucracy or corruption? Probably. Could they have been designed more effectively? Definitely yes. For instance, while the programs that are being adopted broadly go in the same direction, the balance between the priority given to the support of incomes and to the preparation of the

recovery, can be very different. However, if there is a situation in which it is better to find an imperfect response fast rather than a perfect one too late, this is it.

If we look at Europe as a whole, we cannot avoid noting two dangers. The first is that even if national policies have convergent aims, they will be implemented with different levels of efficiency and they will have somewhat different accents: some will give priority to social preoccupations, others to the objective to restart the economy as quickly as possible. The second is that the fiscal situation of the member states is different and, although we all now have access to the markets, their judgment on the sustainability of our debts could change if some countries pushed their exposure beyond certain limits. This could have contagious effects on the Eurozone, that may be even more devastating than those that affected the system during the financial crisis.

After some hesitation and communication blunders, the ECB has deployed its bazooka. It will extend the Quantitative Easing program that was on the way of being gradually reduced, up to one trillion euros and has opened a credit line up to 3 trillion euro in order to allow banks to continue to finance the economy, particularly the SMEs. It has also announced that it is prepared to go further. This means that it will be able to absorb a large part of the additional debt occurred by the member states. The ECB is therefore acting in conformity and continuity with the policy of “whatever it takes” famously declared by Mario Draghi in 2011 and that is credited with “saving the euro” at the worst moment of the financial crisis. This time however the conditions are quite different and it is generally accepted that the tools available to central banks are less effective today than when they all intervened in the middle of the previous crisis. The institutions of the EU must act decisively too.

In application of the existing general escape clause, the requirements of the Stability and Growth Pact (SGP) have been suspended by the Council; for her part, the Commission has relaxed the guidelines for state aids. In a few weeks, we have gone from a Union based on the sacredness of strict rules to one of free for all discretionary powers. Even Germany has deactivated the constitutional clause that imposes a strict zero fiscal balance. Shouldn't we be happy? Hasn't more flexibility, particularly more spending by frugal countries like Germany, been the constant request of southern members? Haven't we all at last stopped doing pro-cyclical things? Yes and no. As Marcello Messeri has argued in a recent Luiss SEP policy brief, the sudden shift from rule based to discretionary action may well be necessary in the short term, but includes dangers for the future. Also, to decide that common rules are suspended for each of us, is not the same as to decide to act together. It is a mistake to interpret what is happening as the victory of the grasshoppers over the ants. When it comes to do things in common, the ants tend to recover their identity. Germany's apparent reversal of the established doctrine, has been accompanied by the reminder that it has been made possible only by years of rigorous fiscal policy. To have lifted the regulatory obstacles that would have prevented governments to do what is necessary, would not avoid the danger of divergence that I described earlier; it could indeed make it more serious. The markets may decide to test the limits of the ECB's action and the fragility of fiscal situation of the countries with the highest debt.

There is therefore consensus on the need of joint action; call it as you wish, but it amounts to deploying some solidarity. The problem is how. The first huge obstacle is that the EU budget has neither the size nor the structure that would be needed to support a financial intervention on the required scale. Its size and priority for the next 7 years are currently being negotiated. According to the treaty, unanimity is required and no agreement was in sight before the pandemic. As a measure of goodwill and in order to counter accusations of lack of solidarity from countries like Italy that are most affected by the epidemic, the Commission has mobilized

a total of 37 billion euros, using mainly funds previously allocated for other purposes but not yet committed. The idea is to use them for reasons directly related to the pandemic. Some welcome elements of operational flexibility have been introduced for the commitments of funds. These are useful moves, but little more than a token contribution given the scale of the problem.

No, it's the politics!

Before we discuss what else is available, it is important to talk about the political context. This new emergency intervenes against the background of a collapse of mutual trust among member states; it had been also the main reason why it was so difficult to agree a common response to the financial crisis and why what was agreed was often late and insufficient. The problem is compounded by the emergence in many member states of populist and nationalist movements that, while almost everywhere a minority, complicate the political dialogue. They are united in opposing the EU, but for entirely contradictory reasons: some of them refuse to share sovereignty, others refuse to share the money, most refuse to share both. Since each government tries to avoid doing things that can benefit its own nationalists, the scope for reaching compromises is reduced. Some countries (Belgium, Ireland) have a caretaker government. Germany is in state of political transition. France has a solid majority, but a strong nationalist opposition. The cooperation between the two of them, that has always been a precondition for progress, is more difficult. Spain has a minority government that includes left wing populists and depends on the support of Catalan separatists. The list of fragilities could continue. The epidemic also makes the already mentioned practical difficulties in the process of government, even more challenging in the context of the EU where negotiations and compromises require a lot of personal contacts between ministers and leaders. As expected, the European Council meets frequently but using only new technologies. It can be done, but it doesn't facilitate things.

In this context, Italy is a somewhat special case. It was the first European country to be hit in a massive way by the epidemic. It is the third largest economy and the second manufacturing country in the EU. Due to bad economic management and lack of reform, has recorded one of the lowest growth rates for the last 3 decades. As a consequence, it has a colossal public debt of around 130% of GDP, that is bound to shoot much higher as a result of the recession and the emergency interventions that are being implemented. In a very short period of time it has gone from being the most pro-European, even federalist, to one of the most Eurosceptic members. The present pro-European government has a fragile majority and right-wing nationalists could well be in power soon should early elections be called. These nationalist parties greatly influence the public narrative about the crisis and the EU in general. "Europe's austerity", not home-made mistakes are held responsible for the country's stagnation. The EU is accused of not helping Italy in a situation of need, but then a potential intervention from the institutions is also described as a Franco-German plot to exploit country's weakness in order to buy her jewels on the cheap. The paradox is that this Italian situation is one of the main reasons why a joint European action is needed, but also one of the biggest political obstacles to it. Unlike Greece, Italy's collapse could well threaten the euro; northern member states are at the same time conscious of the necessity to avoid a nationalist victory in the third largest economy and reluctant to trust the country's volatile political system.

A special mention is also in order for the Netherlands. The importance of its economy and its political clout has always been larger than what could be warranted by its size. Like Italy, but for totally different reasons that it would be too long to explore, it has gone from being one of the most ardent Europhiles to almost Eurosceptic. It has a government that is at the same time conditioned by a strong populist opposition and considers itself a sort of “orphan” of the UK. As a consequence, it has taken a number of positions that would normally be the UK’s, especially reluctance to increase the budget of the EU. At the same time, possibly no other country profits from the existence of the EU and the euro more than the Netherlands; its economy is more than anybody else’s close to that of Germany. This combination of a situation of privilege with a policy of constant refusal of all forms of solidarity, makes the Netherlands a sort of parasite in the European context. It is however a posture that is only made possible by the present German immobilism and can only last until the big neighbor decides to move.

The national media play narratives that Dickens could have described as “a tale of two Unions”. There is the tale of a Union that risks to collapse for lack of solidarity and there is the tale of a Union whose cohesion is threatened by the fact that a number of members flout the commonly agreed rules. It’s solidarity versus moral hazard and every attempt to reach a compromise is reported as a zero-sum game. The problem is that both narratives are to some extent founded and it is difficult to see how we can move further if a bridge between them cannot be built.

Enters (and exits) Alexander Hamilton

Following the mantra that Europe must profit from the crisis to promote further integration, there are talks of a EU’s “Hamiltonian moment”. We should use this crisis to do what Alexander Hamilton, then Secretary of the Treasury, did in 1790: convince President Washington and the Congress to mutualize the debt of the States and transfer it to the Union. Historians agree that it was one major step towards the transformation of the newborn Union into a real federation. One can therefore understand why this dream could appeal to federalists in Europe. However, it is always a mistake to advocate an action primarily for its political significance, without asking if it is feasible in practice. Although still fragile, the US had a Constitution that already gave Congress the power to levy taxes independently from the will of the member states. Nothing of that sort exists in the EU; nowhere in the common budget are the resources that could sustain a common debt. A Hamiltonian moment presupposes the existence of truly federal institutions. The EU has some elements of a federal system, but the power to tax is still firmly in the hands of the member states. Furthermore, the treaty states explicitly that the budget must be in balance.

This doesn’t prevent many people to think of something that could be called “Hamilton light”: to issue European debt with more focused objectives. There have been proposals for the establishment of “Eurobonds” for a long time. Indeed, elements of that already exist, such as the bonds issued by the European Investment Bank (EIB) to finance investment projects. So, why shouldn’t we go further? It would strengthen economic integration and represent an important signal of solidarity. Proposals have been made several times in the last few years. They have been conceived with different purposes in mind: from financing specific investment plans, to the promotion of convergence between the countries that participate in the euro. There have also been

proposals to create a “safe asset” that could help to tackle the excessive concentration of sovereign debt in the balance sheet of the banks in individual countries; an obstacle to the completion of the banking union.

All these are worthwhile objectives, but before concrete proposals can be discussed seriously, there are a number of hurdles to clarify. The first is to identify the institution that would issue these bonds. The choice largely depends on what exactly those bonds should finance: investments of common interest, or current expenditure such as social programs or the support of the health effort to confront an epidemic. The second, and most important, is who will be called upon to provide guarantees that could be accepted by the markets. If each country guaranteed the Eurobonds that it will use, the purpose of the whole exercise would be meaningless. There must be a form of joint guarantee. Since the EU budget, at least in its present state, cannot do the job, it must come from the member states. Those Eurobonds would presumably have a better standing and therefore would carry lower interests than those placed individually by some member states; this would make them an instrument of solidarity, but also a form of potential financial transfer from some members to others. There is nothing wrong with this idea, but it would be a major innovation and one can understand why the governments who are likely to find themselves on the side of the potential creditors, know that they would have to face a number of hard questions from their electors, as well as violent opposition from their domestic populists. This would be a difficult step in any situation; the collapse of mutual confidence that we have inherited from the financial crisis makes it particularly daunting.

Assuming that an agreement can be found, the other main issue is that of the conditions attached to the Eurobonds. That any form of solidarity should be conditional to the achievement of some common objectives is no more than common sense. More controversial, but equally understandable is the request that the country which benefits from the Eurobonds manages its affairs in a way that increases the probability that its debts will be honored. The problem that poisons the present European debate is the precedent of Greece. The plan to rescue Greece from bankruptcy during the financial crisis was accompanied by harsh macroeconomic conditions that created a lot of social pain in the country. It was supervised by a Troika composed of representatives of the Commission, the ECB and the IMF; the whole process was felt by many in Greece as a severe loss of sovereignty. This is not the place to discuss the merits of the Greek rescue. It must however be noted that similar programs were also implemented in Ireland, Spain and Portugal. They are generally considered a success and did not nurture anti European feelings; admittedly, the conditions were much less stringent because the problems of those countries were not as serious as those of Greece.

In the last few weeks the debate about Eurobonds has taken the form of a proposal for “coronabonds”: instruments that would finance part of the additional expenditure undertaken by the member states to fight the Covid-19 crisis. It makes sense and it has rallied the support of 9 countries, including France, Italy and Spain. Unfortunately, the 9 “coronabonder’s” ideas have so far failed to be translated into a concrete proposal (or perhaps there are too many of them), thereby justifying the legitimate suspicion that the proponents have different things in mind. What could they be? A possible scenario would be the following: these bonds, renamed “Recovery bonds”, would be issued by one EU institution that is for the moment not identified. They would enjoy the joint guarantee of all member states. They would however also be backed by a fund created by contributions from the member states; an alternative could be a fund inside the EU budget. How would they work? They would be used to lend money according to criteria to be decided, to the member states to contribute to the fight against the epidemic and to sustain the recovery. The eligible expenditures will have to be defined with some care. However they will not necessarily be exactly the same everywhere, since the

priorities of the different countries vary. And, of course, there is the problem of the conditions. Should they be limited to the proper use of the funds for the agreed purpose? Or, since the solidarity would be justified by the different level of debts of the member states, the conditions should also concern future macroeconomic management? One can easily see that the ghost of the stigma and the Troika doesn't want to go away.

First comes the emergency

After days of acrimonious discussions, the Eurogroup of finance ministers has reached a tentative agreement on how to face the emergency that at the moment of writing this paper still has to be endorsed by the European Council. It is composed of four, or rather three and a half, elements. The first is based on a proposal by the Commission, called SURE (Support to mitigate Unemployment Risks in an Emergency), that would provide loans of up to 100 billion euro for a limited duration of time to countries that want to implement programs to support short time working and thus help firms to avoid redundancies. It would be based on joint guarantees of 25 billion euro from all member states. The second is an expansion of the loan facilities of the EIB up to 200 billion euro to help the finance of SME's that face liquidity problems.

The third has been the most contentious. Since the beginning, some countries have argued that, if the EU must act urgently and collectively alongside the ECB to support the effort of individual member states, the obvious choice is to use an instrument that already exists; it would make sense for practical reasons, but also because it would reduce some of the ideological obstacles in northern Europe. The European Stability Mechanism (ESM) was created as an instrument of solidarity during the financial crisis to help for a limited amount of time countries that face difficulties in their access to the market. It is financed from contribution of the member states, has firepower of 500 billion euro and it has already been used for Greece, Spain, Portugal and Ireland. Access to its funds is subject to conditions that mainly concern the fiscal policy and the debt situation of the country concerned. To use it in this situation presents however a number of problems. The ESM was not created for this type of crisis and should be adapted. Its main advantage, also in the present crisis, is that, if a state demands its intervention, this would also trigger the Outright Monetary Transactions (OMT) of the ECB; a tool never enacted until now and that would enable the ECB to proceed to unlimited purchases of the debt of the country concerned. Since the present difficulties are unlikely to end soon, the length of the intervention should be extended. The most difficult question is that of the "conditions" because the very element that makes the use of the ESM less controversial in the north, creates difficulties in the south. The word "conditions" evokes the infamous Troika and the very fact of submitting to them is perceived in some countries as stigma, a diminution of sovereignty. The feeling is particularly strong in Italy, thanks to a furious campaign run by the populists. A rescue program has become the synonym of harsh austerity, enforced cuts in public services and the Troika; wrong, but widely believed. While it would have been unthinkable that the creditors could accept in front of their Parliaments an unconditional display of solidarity, it was also clear that the conditions applied in this case should be adapted to the particular situation of this crisis and concern essentially the correct use of the funds for the agreed purposes of the intervention: expenses incurred to cope directly or indirectly with the sanitary consequences of the epidemic. This compromise has allowed to agree the creation of a new leg of the ESM with a firepower of some 200 billion euro.

The fourth (or the half) element of the compromise, is the recognition that when the emergency ends, there should be a “recovery fund” to help and support the recovery. This is a victory of sorts for the southerners. However all the details have to be discussed, including the source of finance. The word “bonds” has been carefully avoided, but it is said that the financing instruments could be “innovative”.

The acrimony that has accompanied the negotiations ends, unfortunately hide a reality that is not negative at all. In a few weeks, confronted with the most serious threat since its existence, the EU has managed to agree an impressive emergency intervention. The most important part is the responsibility of the ECB. But governments have also agreed a package that mobilizes more than 500 billion euro to address the most urgent needs of the weaker member states: the health costs incurred to fight the epidemic, the social consequences of the incoming recession and a guarantee for the liquidity of struggling SMEs. This comes on top of what had already been agreed to cope with the emergency supply of medical equipment. What to do to support the recovery remains an open question.

We will overcome... someday.

It may well have been the most symbolic song of my generation; we were optimist and the important word was “will”. Come what may, we know that the pandemic will end and that whatever the quality of our response to it, we shall have to think of how to go back to some sort of normal life. We know that it will end “someday”, but the agonizing question is “when”. Nobody knows the answer to a question that depends on the success of the measures that are being taken and by the speed at which an effective treatment and a vaccine will be found. The length of the pandemic and therefore of the economic disruption will determine the conditions and the nature of the recovery.

The first question to ask is how the restrictions can be withdrawn and the engine of societies that have come to an almost complete stand still can be reignited. As I write, countries representing 50% of the world’s GDP and including almost the entire EU, are in a situation of more or less complete lockdown. One thing is sure: in this case the return to normal will not be sudden but will be gradual. But how? Differentiating between the risk that will still affect regions or groups of people? Various ideas are being floated and we know that this will be a major difficulty because we shall want at the same time to restart the economy as soon as possible, but minimize the risk of a deadly second rebound of the pandemic. If the relaxation of the present restrictions is gradual, one way to implement it is to use some form of electronic tracking of new cases and their contacts, as it has been done in Korea. Many European countries are thinking about it, mainly with the idea of using that ubiquitous device that has become almost an appendix of every human being, the mobile phone. Assuming the technology is reliable, it could be a useful tool. It would however pose considerable problems for the respect of the privacy and possibly concern the very functioning of the democratic system. All the implications should be carefully examined and discussed before we embark on that route. To be effective such a system will also require massive testing with reliable and fast methods.

One difficulty for the EU is that, since the epidemic has followed a different timing in the member states, this gradual exit from the lockdown will not be simultaneous. However, it will have to be coordinated because is at

stake not only the return to normal life in each country, but also the return to the free circulation of people and goods within the EU. The Commission has been asked to prepare plans for this.

Assuming we find an answer to these questions, the next one is: what “normal life” shall we be heading back to? The prevailing mantra is that “nothing will be the same”. A long time ago Heraclitus already taught us that nothing is ever the same: *panta rhei*, everything flows. If every day we look down from a bridge, we never watch the same river. This is not what the present prophets have in mind; what they tell us is that we shall be confronted with a radical change of our lifestyle, economy and possibly political order. What they say should be scrutinized with care. One thing is to try and understand to what extent changes that we have experienced during the crisis will prove to be durable, quite another is to project into the future what is essentially our dislike for the present state of the society. What are these “neverthesamers” telling us?

“Nothing is more punitive than to give a disease a meaning—that meaning being invariably a moralistic one”, wrote Susan Sontag in her essay “Disease as a political metaphor”. During the black death of the 14th century, Europe was crossed by groups of “flagellants”, people who drew vast crowds (presumably leading to many contagions) claiming that the plague was due to the debauchery and sinful behavior of the population. During their stops, they also never missed the chance to slaughter large quantities of Jews. As Sontag points out, the same moral stigma was later attached to syphilis and similar theories were developed for TBC and cancer. The rational varies, but the message is the same: in order to make amend of our sins, everything has to change. In our secular time, a moralistic meaning inevitably becomes also political: the problem is not our sins, but what we have done to society. We can identify two main schools.

The first calls primarily for a revolution in values, focuses on a critic of consumerism and the dominance of finance over the real economy; it advocates a more equal society, also more frugal, more peaceful and more attentive to the challenge of climate change. It is in a way the expression of the eternal dream of a world of philosophers, liberated from the corruption of the warriors and the merchants. The second focuses on a critique of globalization and cosmopolitanism and advocates a return of national identity and borders. One could say that they are respectively the left and the right-wing version of the same vision: a rejection of liberal internationalism and its European version the social market economy, that they identify with the domination of finance, multinational corporations and international bureaucracies (including the EU). They both favor a return of state’s intervention in the economy. So, what should we expect?

The members of the first school are morally respectable, but I am afraid that they will be disappointed. It is quite probable that some of the changes in lifestyle and personal preferences developed during the present confinement will continue after the pandemic. For instance, the wide spread use of new technologies is likely to modify some behaviors and have a huge impact on working methods; maybe even our eating habits will change a bit. However historical evidence tells us that, after a major catastrophe, human beings overwhelmingly want to “go back to normal”; where “normal” very often coincides with “as before”. This is of course never entirely possible, but people’s main aspiration is for normality, not change. After the Black Death there were Wycliffe and Huss that called for a complete revolution of values and are regarded as the precursors of the Reformation. However, the real Reformation took place almost two centuries later and in a totally different political, economic and social context. What emerged from the demise of the feudal system that followed the black death wasn’t a society of ascetics, but of bankers, merchants and sailors whose cultural values were far away from those of Wycliffe and the “Flagellants”: *“Quant’è bella giovinezza che s’en fugge*

tuttavia, chi vuol esser lieto sia, del doman non v'è certezza". Botticelli's Spring is not really a testimony to an austere life. After the first world war and the Spanish flue, people wanted normality; it was the roaring twenties and the "age of jazz".

The second school is more realistic and therefore much more dangerous. The appeal of national identity is strong and the prospect to promote one's recovery at the expense of "foreigners" is attractive. In fact, what its proponents describe as "change" would be nothing else than a return to the past, to the '30s, to the protectionism that made the crisis worse and to the nationalism that took Europe and the world into the war. In order to appreciate the danger, we should keep in mind the likely point of exit from the crisis: huge public deficit and debts, big increase of state intervention possibly accompanied by nationalizations of ailing industries, some retrenchment behind national borders, if only because exchanges have become difficult and rarer. The temptation to regard that as a "new normal" could be strong. This vision is underpinned by the claim that the crisis shows how people faced with difficult choices turn to the depository of their democracy and identity: the nation state and not faceless international bureaucracies. A claim that becomes sinister if one thinks that the populists that are its main advocate are also those that befriend autocrats and, when in power, make it a priority to reduce democratic freedoms. Going back to the start of this paper, it is a known fact for neurologists and anthropologists alike, that the same part of our brain that is dominated by emotions is also the one that pushes us instinctively to reject "aliens".

The confrontation will be harsh, but hopefully, this view will not prevail. We can expect that changes will be made to the way globalization is governed and elements of nationalism will stay with us for a while, but globalization is probably more resilient than many people believe. Or, to put it differently, the fatal point of this theory is to deny that there will be no renewed prosperity without growth and no growth without some form of globalization. Much will depend on the capacity of the defenders of liberal internationalism to display the necessary dose of pragmatism and determination. What happens during the crisis could be of such amplitude, that the important thing will not be to define the point of arrival for a new "normality", but rather focus on the process. What should be done to gradually reduce debt, restore rules for the market economy and reestablish a functioning multilateral system.

A related subject concerns the future of democracy, that is affected from three angles. The first is the already visible and effective propaganda effort of autocrats from countries such as Russia and China that want to convince us of their superiority with the example of an alleged better response to the pandemic; this also has a flavor of the '30s. The other two are more complex. As we have seen, it has been necessary to introduce severe limitations to personal freedoms in many countries. Maybe the shock of the epidemic will somehow reduce the libertarian individualism that we have seen at work in many western countries with people resisting the new rules. A more disciplined society should be welcomed. However, one of the main components of "back to normal", will be the regained ability to move freely and protect one's privacy. Some governments in Europe, particularly in the east, will be tempted to make the exceptional situation permanent, follow the authoritarian route and reduce democratic freedoms. The example of Hungary and Poland are extremely worrying; at the moment the EU has more pressing things to think about, but it will be impossible to tolerate it much longer. Finally, the balance between the newly acquired powers of the executive branch and parliamentary control will have to be reestablished. A related issue concerns a reappraisal of the relationship between the national and local or federal authorities.

What about the recovery?

The large amount of money injected into the system and the ensuing big public debts will act as a drug; a necessary one, but a drug nevertheless. So, the question will arise of how, when and with what instruments also the fiscal and financial system starts to go back to normal, whatever the meaning of that word at that point in time. Even if we accept, as we must, that huge debts will remain for a long period of time, the question exists of when the massive injection of subsidies and liquidity will start to be withdrawn. This decision may prove to be politically more difficult than the decision to start the intervention. As with methadone, the difficult thing is not to prescribe it; it is to diminish the dose. Some of the money injected into the economy will have created positions of rent and the corresponding vested interest that will want to keep them. If not properly designed, it will have created an assisted class that it could be difficult to put back to work. It will also have created new inequalities that will have to be tackled. The process will require a lot of political skill on the part of public authorities and will have to be coordinated as far as possible at European level. This coordination will be essential because otherwise the markets could punish the countries whose action they consider less effective. The convergence that hopefully we will have achieved through the joint action (if any) during the crisis, would be put into question.

Even assuming that the fiscal position can go back to normal in a not too long period of time, what about the debt itself? The situation will be similar to the one following a war. There is only one way to diminish that debt without blocking the recovery: a growth rate significantly higher than the cost of the debt. Of course, it is not possible to discuss this problem without keeping in mind what might happen in the rest of the world and particularly in the US. But for the sake of this paper, let's remain with Europe.

The present Commission has started a new cycle of the political life of the EU with the pledge to be a "geopolitical Commission" and the proposal of an ambitious long-term program. As it often happens in life, programs have been overtaken by events and this time their disrupting impact is really big. Going back to normal, will also mean going back to the drawing board for the plans that had been announced. The list of the challenges is long, but let's focus on the issues that have a bigger impact on the economy and the quality of the recovery.

After 9/11 and the twin towers, a thorough review took place all over the world and in Europe on the instruments and the policies that are best suited to combat terrorism. This time it will be the turn of the health crisis; the least that we say is that we were not very well prepared. A review will take place at national as well as at European level. There are no strong reasons for a much greater centralization of responsibilities in the field of health. However, there may be a good argument in favor of the creation of more effective and fast Crisis Management System that would pool information, advise governments and deal with issues such as the restrictions to the free circulation of equipment and border controls that have poisoned the present crisis. It could include procedures to pool critical medical and protective equipment. We could also discuss the opportunity to enlarge the mandate of the European Medicines Agency.

Concerning the economy, the issues that will have to be dealt with can be divided into two broad chapters. The first is how to redefine the rules. The institutions have taken a decision that would have been unthinkable

only few weeks ago: the rules of the Stability and Growth Pact (SGP) and those concerning state aids have been suspended. In these two crucial areas the EU has suddenly moved from the kingdom of common rules to the one of discretionary action in the hands of member states. This is necessary and wise in the present exceptional circumstances. There are however also chants of joy from those who hope that we can get rid of the rules altogether. This is a dangerous illusion. No modern society can function on the basis of discretionary power only; even less so the EU that lacks a sufficiently legitimate central power. The discretionary power that would triumph would be that of the member states. If the EU has an “economic constitution” it is one called “social market economy”: a regulated free market with a strong social component. It has made us the most just, free and prosperous place in human history and that is probably where most Europeans will want to go back to after the crisis. Commonly agreed rules are the heart of it.

So, the objective is to define a process to go back to a system of accepted rules; while it will not be exactly the same as before, it would equally be an illusion to believe that it could be redefined from scratch. The question is particularly important for the rules that govern the SGP. A discussion had already started before the epidemic on the basis of various analyses that highlighted the shortcomings of the system as they had emerged from the response to the financial crisis. Now, this will be made much more complex by the explosion of deficits and debts that will be the consequence of the response to the epidemic. It is difficult to imagine a post epidemic starting point that could be more distant from the ideal situation defined by the SGP. It can be expected that some countries will press for a return to that situation. We have already seen hints of that during the discussion on the conditions attached to the intervention of the ESM. They should be wise to be patient. Rather than try and define a point of arrival that in any case could not be imminent, it will be more useful to map a gradual process of reduction of deficits and debts, keeping in mind that the common priority will be to return to growth, without which debt reduction will not be achieved.

The case of state aids and competition law in general is possibly conceptually easier, but equally important. Before the crisis, there was already an emerging consensus that the management of state aid had to be reviewed to take into account the need to strengthen the international competitiveness of European industry. The present crisis adds new problems. As already mentioned, the disruption of critical supply chains experienced during the epidemic could lead to some relocation of production in Europe. It would however be a mistake to make it compulsory other than in exceptional circumstances. In most cases a greater diversification of suppliers could be more effective. One example is the pharmaceutical industry, but it is not the only one. The disruptions that we have experienced could also lead to reconsider one of the industrial dogmas of recent decades: the just in time supply system and the need to keep inventories at the minimum. Another issue related to competition law that was discussed before the epidemic was the need to protect critical European technology from predatory acquisition by foreign (mainly Chinese) companies. It is becoming even more relevant now that many European companies risk being destabilized financially by the crisis.

This issue has implications that are larger than the danger posed by firms linked to a foreign and potentially hostile power such as China. We can already watch the tsunami that is hitting the international stock exchanges. In a sense it is a normal effect of all crisis, but this time it could have a wider impact. One outcome could be that the turmoil disproportionately favors few very large international companies that are already cash rich and operate in sectors, such as digital technologies, that are less affected by the crisis. This could lead to restrictions of competition and encourage predatory acquisitions. For all these reasons, while it is important to reappraise the implementation of competition rules to support the competitiveness of European industry, it

would be a mistake to weaken them. One should also be conscious that all these issues, while important, could easily get out of control and be exploited at the national level for protectionist purposes that would also affect the European single market. We want to protect European industry from unfair or predatory foreign competition, but we also want the process of necessary consolidation at European level to go on.

Finally, the Commission's competition enforcers may have to deal with a situation where state ownership has increased, but is perceived differently by the markets depending on which country is involved. If a firm is brought under public control in Germany or the Netherlands, the declaration that the intervention is temporary will be taken seriously. The same is much less sure in France and Italy. We can already see dangerous signs of this in Italy where the powers of the government to prevent foreign predatory acquisitions are being considerably increased and extended to acquisitions by European companies. One thing should be clear in our minds: a widespread and permanent return of public ownership and intrusive state intervention, would be incompatible with the objective to make European industry more competitive and also with the survival of the single market. There is no such a thing as "European Colbertism"; it can only be national.

How we approach the restoration of the rules, will greatly influence the discussion on the second chapter that seems to dominate the debate at the moment: what to do with Europe's financial instruments. The crisis has exposed in a dramatic way that they are insufficient to respond to the challenge. The package that has been agreed is impressive, but still untested and not sufficient to support the recovery. It is logical to expect that the discussion will start with the unfinished business of the Recovery Fund. For the moment, it is little more than a concept. It is important and urgent for its proponents, mainly France, to produce a concrete proposal. It's reasonable to predict that its main purpose will be to support the massive investment that the EU needed even before the pandemic: investment not only in physical assets, but also in knowledge and social assets such as the health system. We know in advance that all the hurdles that have emerged until now (purpose, conditions, guarantees) will come back in force. If the main purpose is to finance investments of common interest, it is also reasonable to expect that the EIB and the other related instruments developed with the Juncker plan, will play a crucial role. The EIB has the capacity to issue investment related debt that is politically less controversial.

Wise as always, Jean Claude Juncker has said that Eurobonds are an interesting idea, but are not the only show in town and maybe not the most important. All this discussion about them has distracted the attention from another issue: the EU budget. The Commission has declared that it wants to make it a priority. What muddles the negotiation is that people spend too much time discussing its size and the return for each country, but not enough to discuss its purpose. The main, indeed the only, reason for the existence of a public budget is to finance policies considered of collective interest. Given the very special nature of the EU, what is relevant for the European budget can in no way be compared with the national level. The other aspect that people tend to neglect is that you cannot ask taxpayers to transfer money if they cannot collectively decide on its use; in other term, if there isn't an element of shared sovereignty. The reason why the agricultural policy is financed by the EU, is that prices and other key elements are decided in common. What underpins the transfers under the cohesion policy is that the relevant programs are agreed by the Commission.

Apart from these legacies, before the epidemic struck other new priorities were emerging that had the support of several member states large and small. The list is long. The most important items probably concern the objective to allow Europe to fill the gap with the US and China in the digital revolution and the development of artificial intelligence. This objective acquires new prominence now that the impact of the epidemic and the

lockdown is enhancing their critical role. Equally important is the effort that is needed to develop technologies for the climate transition; for instance, the batteries for electric driven cars. There are also various measures in the field of defense and security, including the industrial and technological aspects. Finally, there is immigration and also things that would allow us to better respond to a modified geopolitical environment, such as a plan for Africa.

The list is long and the sums of money potentially involved, considerable. The rational thing to do would not be to start with how much money the governments are prepared to spend, but with a serious discussion of what they actually want to put in common in terms of policies and shared responsibilities; bearing in mind that in some cases the pooling of resources at European level could be more than compensated by economies at national level. To believe that we can pursue common policies that would be entirely financed at national level is as self-defeating as to believe that money can be shared without also sharing the policy. A good agreement on the budget could also simplify the discussion about the introduction of Eurobonds, or at least take some of the political poison out of it. The inevitable social dislocation created by the crisis, also strengthens the argument in favor of a European system to support unemployment; it could be developed on the basis of the experience gained with SURE.

One last point must be considered. In a Union divided on many subjects, there is one objective that has rallied a large consensus: that Europe should take the lead in the fight against climate change. This is the distinctive element in the program with which the new Commission was endorsed by the European Parliament. Before the crisis the plan was still in a formative stage, many critical elements had to be worked out and disagreements persisted on some important aspects such as how and how fast to dismantle coal fired power stations. The line was however clear and it had a lot of political backing. Unlike the United States, at the moment in Europe the climate deniers are a not very vocal minority. How does the epidemic change this state of affairs? If one looks at pictures of a pollution free Po valley or of Paris, it would be easy to draw the conclusion that for all its evils it changes things in the right direction. This is obviously an illusion because those clear skies are only the effect of an economy that has almost stopped. An effect that goes in the opposite direction and that could be more lasting, is the sharp decline in the price of oil. This doesn't only damage the competitiveness of alternative supplies such as shale. If the plans for the transition want to attract sufficient capital, they must be based on stable and predictable assumptions of the price of fossil fuels.

In declaring that fight against climate change was the defining objective of the EU for the next decade, the Commission's bold assumption was that it would also be beneficial for growth, employment and the competitiveness of the economy. However, the relation between climate transition and growth functions both ways: the massive investment needed to achieve the transition will not be sustainable without growth. It has always been clear that a number of trade offs and some gradualism would be necessary and the economic impact of the epidemic, particularly if it is very serious, could change some of the parameters of the equation. In the post-epidemic Europe, growth will become the absolute priority and the measures specifically aimed at accelerating the green transition will require a more convincing justification than it would have been necessary in the past. Patience and common sense will be needed, because failure to do so could break the consensus across the political spectrum and also between member states; a powerful movement of climate deniers could emerge in Europe too. If the present trend continues in the US, Europe's loneliness could increase further and everything would be more complicated. It would be a major defeat for everybody: those who want growth and those who care for the environment.

Finally, the wider picture

This paper concerns mainly the answer to the epidemic and its economic consequences. The menu of what expects us is in itself sufficiently daunting. We can hope that the rest of the world will leave us alone to deal with our epidemic and then our recovery. That would be nice, but unlikely. It is unfortunately more probable that other issues, such as immigration, international instability, and terrorism will multiply the challenges. An already fragile EU will therefore be subject to additional pressures. Whether we shall be capable to handle all this, is a question that nobody can answer. We all know that our structures are fragile, inadequate and the political consensus often insufficient. We only act under pressure and manage to do what is necessary, but not what is desirable; nor are we capable of anticipating events.

Some people argue that the gradualism that has been applied until now will not be sufficient and that the moment has come to take some more fundamental decisions concerning the future and the structure of the common enterprise. They are often conscious that such a fundamental reappraisal could risk a new fragmentation after the one that we have suffered with Brexit. In saying so, they sometimes display a strange complacency about the geopolitical implications of losing, for instance, part of Eastern Europe. However their concern is understandable; by continuing to muddle through each crisis, we could repeat the mistakes of those that run Europe at the beginning of last century. They muddled through several crises, until they “sleepwalked” into an unnecessary one and Armageddon occurred. What is less understandable is to believe that such a change of momentum can be achieved by calling a new Conference, intergovernmental or otherwise. When Robert Schuman, inspired by Monnet, launched his plan for a Coal and Steel Community on May the 9th 1950, he had already secured the consensus of Germany and the Benelux. The intergovernmental conference that drafted the Single European Act of 1986, worked on the basis of a precise mandate from the European Council. The Maastricht treaty was based on the work of the Delors committee and a Franco-German agreement in principle, at least for its monetary aspects. The Convention that drafted the “constitution” had no such background and we know the result. To engage into an unknown territory without a blueprint agreed at least between France and Germany but probably on a wider basis, would be suicidal. The least we can say is that the basis for such a blueprint don’t exist to day. An exercise designed to “save Europe” could well destroy it.