

# The Union and COVID-19: Is there a future after failure?

## COMMENTARY

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*Is there a link between governance systems and the ability to act? Could the EU do better in times of crisis? And is the right level of response national or transnational?*

With the crisis well underway for four months now, as the infection started in Wuhan, China in late November 2019, the first analyses begin to emerge of what this crisis means for our society and more precisely for the future of liberal democracy. While it is easy to see that one way or the other, our pattern of working and our lifestyle will be impacted by COVID-19, some political analysts and sociologists are going further to predict that this crisis will result in a growing tendency amongst our citizens to prefer effective authoritarianism above slow and ineffective democracy. To make their case, they highlight the fast and efficient way the Chinese leadership managed the outbreak in comparison to the slow, hesitant and in some cases even chaotic management by its European and American counterparts.

While it is true that China seems to have overcome COVID-19 (at least, there are not many new infections detected anymore after two months of lockdown in Wuhan), their approach is far from an example to follow. On the contrary. A timeline of the early days of China's outbreak proves clearly that for weeks, there was a cover-up by the Chinese authorities. Studies have indicated that if the authorities had acted three weeks earlier than they did the number of coronavirus cases could have been reduced by 95% and its geographic spread limited.

By contrast, the ways the different neighbouring countries of China (by the way, mostly democracies) have handled their own outbreaks are experiences to look at very closely and, if possible, to repeat. Japan, Taiwan, Hong Kong, South Korea and Singapore have all managed the crisis more or less successfully. In all of these countries, authorities have limited the number of infections and deaths far below the dramatic levels we see today in European countries like Italy or Spain – numbers which are still increasing day by day.

South Korea is probably the best example of how to handle this pandemic. As a democracy, it has not used authoritarian methods or rules. On the contrary, immediately following the lockdown of Wuhan on 23 January 2020, it rolled out a huge, fully transparent testing programme (testing around 300,000 people) combined with stringent case isolation. The number of SARS-CoV-2 infections in South Korea will most likely be maintained below 10 thousand, and this for a population of more than 50 million people, ranking somewhere

between Spain and France.

So while there is no actual empirical evidence to argue that authoritarian rule is more effective or better suited to fight a global pandemic than our liberal democracy, what explains the dramatic explosion of COVID-19 in Europe and probably the US in the upcoming weeks? The number of infections in Europe has surpassed China, while the Chinese population is triple that of Europe. The number of deaths in Italy alone has also surpassed that of China. And there are still no signs that the outbreak has reached its peak in Europe, let alone is stabilising or under control.

There are certainly a number of explanations to be given for this dramatic evolution. The most common one is that Europe, in contrast to the East and South Asian countries mentioned above, is far away from China. This gives a false sense of security. As was the case with Ebola, SARS or the Zika virus, we thought that COVID-19 would also be a crisis that would mainly spread, and disappear, locally. Or at least could be contained locally. So, while countries like South Korea and Taiwan went into crisis mode in the immediate aftermath of the lockdown in Wuhan, European countries did not react substantially. But as COVID-19 is very contagious and we live in a globalised world, after a few days and not even weeks the virus also affected the (unprepared) European continent with the devastating consequences we all see today.

However, this does not explain the huge difference between Europe and China. China was also unprepared in December 2019, as was Europe two months later. What ultimately drives the difference in numbers of infections and deaths? Many analysts point the finger to lifestyle differences between China (and East and South Asia in general) and Europe. They argue that Europeans are individualistic hedonists and lack discipline, while Chinese, and by extension all Koreans, Japanese and Hong Kongese, are community-driven, disciplined and conditioned to hierarchy. Social distancing or self-quarantining is thus easier to impose in Asia than they are in Europe.

It is an explanation that sounds plausible, and perhaps there is some truth to it – but citing cultural differences alone as a reason for the current discrepancy between Asia and Europe does not withstand the simple empirical test of looking at the differences inside Europe. And what do we see? There are no big differences. All EU countries started their precautionary measures far too late. And all member states follow more or less the same pandemic curve. More ‘hedonist’ Greeks and more ‘disciplined’ Germans and Swedes alike. The only difference is that the epidemic started at different dates, first in Italy and then progressively in all other member states. Secondly, there is a difference in death rates, which is likely caused by the differences in the quantity of tests effectuated and quality of the national healthcare systems.

## **LACK OF GOOD GOVERNANCE**

This brings us back to square one. If it is not authoritarianism, democracy, or differences in our societal DNA that causes the dramatic degradation of the coronavirus outbreak in Europe, then what is the real cause? To find an answer to that question, I want to recall a

book by two American-British economists and political scientists, Daron Acemoglu and James A. Robinson, published in 2012: *Why Nations Fail*. Their thesis is as simple as it is genius. Nations, and by extension every large public authority, will fail when they are driven by bad institutions. Because bad institutions lead to bad governance. And bad governance leads to bad results (i.e. more suffering). By contrast, **good institutions will produce good governance and better results (i.e. less suffering)**.

It seems simple, and yes, it is simple at first sight. But the consequences are huge if we apply this wisdom to the way the pandemic has not been properly managed in Europe. Applying the theory of Acemoglu and Robinson leads in fact to the conclusion that the dramatic transmission of COVID-19 on our continent is caused not by accident, but by a lack of adequate institutions and, ditto, good governance in the European Union.

And since the end of January 2020, when Wuhan went in lockdown, we see evidence of this every single day. European citizens have been watching the daily unfolding of a crisis in which national authorities are taking half measures pointing in different directions, when we all know that decisions should be taken centrally following one line of command during a pandemic. A pandemic is not like war; it is war. And what we have seen in Europe during these past eight weeks is exactly the opposite: 27 centres of decision, 27 lines of command.

Italy's cry for help to replenish something as basic as surgical masks remained unanswered for weeks by all other member states. It was China that eventually helped first. After the initial outbreak in Northern Italy and the lockdown of several villages in Veneto and Lombardy, no common stringent rules and procedures were ordered, like the halt of border crossings or the massive testing of all people returning from ski resorts. Weeks afterwards, when the virus had spread to the four corners of Europe, some member states started to take drastic measures, from closing bars, restaurants and schools to even borders, while other countries carried on as if nothing was happening.

In Britain, the father of the Prime Minister told a TV audience that he would simply neglect the recommendations of his son and continue his daily visit to his pub. Donald Trump did not blink when delivering his discriminatory travel ban against (certain) European countries. It has led to surreal situations, like the one between Belgium and the Netherlands, when irresponsible Belgian citizens visited shops and pubs in Dutch towns to compensate for the closing of theirs. Or the more than 60km queue of heavy trucks on the border between Poland and Germany, disrupting supply chains and causing enormous economic damage – which makes no sense at all, as it is not goods but persons who transmit the virus.

On top of that, fundamentally different epidemiological approaches in the fight against the virus started to appear in Europe. Some countries, like Britain and the Netherlands, pursued a policy of so-called “herd immunity”, while most member states chose the path of “full confinement” (i.e. social distancing, closed schools, quarantines). Even when it seems that today, under the pressure of their public opinion, the UK and the Netherlands have also changed their mind, this fight between ‘herd immunity’ and ‘full confinement’ reminds me of the desperate European indecisiveness we witnessed in the aftermath of the financial crisis in 2008. The eternal debate between ‘austerity’ and ‘growth’. The gruelling battle between

the followers of Ferguson and those of Krugman.

## **ONE CENTRE OF DECISION, ONE LINE OF COMMAND AND TWO BAZOOKAS**

If during the last two months one thing became clear, it is that we cannot continue like this; that this is not 'business as usual'. Intergovernmental cooperation is good and necessary, but it is absolutely insufficient to tackle a pandemic crisis of the magnitude we face today. It is not with an inflation of videoconferences between ministers of health, interior or finance that we will win this war. To overcome a pandemic crisis of this magnitude, **we need far more. We need one centre of decision and one line of command, and this on a continental scale.**

To win this war, we need the discretionary power of a fully competent European executive. An executive that, under the democratic control of the Council (member states) and Parliament (citizens), can fully act on the ground. This can range from issuing common mandatory rules on testing, quarantining and social distancing, common tenders and distribution of test kits, essential medicines and life-saving medical equipment to the closing of national or regional borders if deemed necessary. At the heart of this system should be a European Health Agency, composed of the continent's best experts, instead of the 27 teams of experts we have now. Let there be no misunderstanding: the national or regional level would remain responsible for issues related to health systems, medicines or hospitals. There is absolutely no reason to centralise that. But they would have to work under the umbrella of a common mandatory European rulebook when a severe crisis like a pandemic occurs.

But what is necessary for the health of our citizens is also necessary for the dramatic economic fallout of COVID-19, which will be huge. We will enter a deep recession – if we are not already in one. We must react immediately to ensure that the economic downturn is as short as possible and will be followed by an economic revival – avoiding the 'U' and hoping for a 'V', as economists say. After initial hesitation, the European Central Bank (ECB) has definitely understood this. The Pandemic Emergency Purchase Programme (PEPP) of €750 billion is one of the two bazookas we need to avoid a freefall of our wealth and our economy.

However, more will be needed. PEPP is defensive and indispensable, as are the many necessary national support programmes that have been launched in almost all member states. But we will also **need an 'offensive bazooka' to first stabilise and then provoke a recovery of our European economy.** A huge macroeconomic stability programme which represents 2%, 3% or even more of the EU's GDP. It must be funded through the introduction of a new 'Euro Safe Asset', a common European liability, guaranteed by the European budget (while not undermining the finances of the member states) and actively supported by the ECB via the PEPP.

A crisis is not always negative. It sometimes contains opportunities, too. One of these opportunities is the launch of a Euro Safe Asset as a new instrument for investment. It will provide a low-risk opportunity to institutional investors worldwide to pump new money into Europe's real economy and recovery.

## **AVOID PAST MISTAKES – AN OPPORTUNITY TO FUNDAMENTALLY REFORM THE EU**

Let us today not repeat the mistakes of the past; the mistakes made during the aftermath of the 2008 financial crisis. At the time the Americans, first under President Bush and then President Obama, launched a three-stage rocket over nine months to overcome the dramatic economic downfall: cleaning up the banks (Troubled Asset Relief Program, \$400 billion), reinvesting in the economy (American Recovery and Reinvestment Act, \$831 billion), accompanied with quantitative easing through the Federal Reserve Board for a staggering amount of \$1.2 trillion. We in Europe, by contrast, after more than a decade, are still struggling with the economic consequences of the financial crisis. The desperately needed Banking Union is still not fully in place.

So, let's not repeat that scenario. **Let's take the lead in the upcoming battle for the recovery of the world's economy.** And let's start the necessary reforms to achieve this now. Let's create new means and new tools at the European level to rescue our continent.

From the Gulf War to 9/11, SARS to the financial crisis and the Eyjafjallajökull ash cloud, COVID-19 is not just another crisis in a long list of disasters. COVID-19 is more than that. It is an existential crisis that has the potential to break countries and continents alike, and maybe even humanity. Will European Union survive it? The answer to that question will depend on a fundamental choice: will we do business as usual, or will we use this crisis, and the lessons learned, as a unique opportunity to fundamentally reform our Union?

**If we choose business as usual, we will come out of this crisis devastated and broken.** Poorer also, as we will lack the tools to tackle this crisis on a continent-wide scale. If, by contrast, we recognise the weaknesses of our governance and the inadequacies of our European institutions and above all have the courage to reform them, we shall not only beat COVID-19 but we will come out of the crisis stronger and more determined than ever before.

To achieve this, nothing needs to be invented. We simply need to put in place the great ideas of our founding fathers, who started the process of European unification in the aftermath of that other big European tragedy, the Second World War. **New transparent and federal institutions are what they thought Europe desperately needed,** and crisis after crisis has clearly demonstrated that they were right to think so. Unfortunately, the generations that followed failed to bring this about, blinded as they were, and we still are by the false attractiveness of national sovereignty in a fully globalised world. COVID-19 is a brutal wake-up call and reminds us that the biggest task in Europe's history is still ahead of us.

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