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COVID-19 Governance: State Expansion, Capitalist Resilience and Democracy

Pauli Huotari and Teivo Teivainen

COVID-19 governance is a new field of power that articulates attempts by states and other institutions to control the pandemic crisis. Within the European Union, it includes a bigger role for central banks and suppression of democratic rights and freedoms in various forms, including tightening external and internal border controls. Finland, where we are based, has had one of the most leftist governments in the European Union and imposed some of the strictest border controls of all the member states during the first months of COVID-19 governance.

What does the sudden expansion in state-led governance mean for democratic visions and practices? Our main interest is on horizons that could radicalize democracy, the possibility for the people to take equal part in decisions that concern the basic conditions of their lives. On the one hand, radicalized democracy refers to attempts to bring economic institutions such as capitalist corporations and central banks under greater democratic control. These attempts typically rely on an understanding of democracy that regards parliaments and other democratically elected authorities—and sometimes also popular initiatives or referenda—as the most legitimate source of accountability. At least initially, the effects of the COVID-19 on democracy (in the conventional parliamentary sense) might not be very significant (Rapeli and Saikkonen, 2020).

On the other hand, according to less state-centric understandings, radicalized democracy also includes democratic practices in more autonomous spheres of social life, sometimes characterized by the anarchist tradition of mutual aid. In other words, democracy can be radicalized

by expanding its current institutional forms to areas dominated by other logics of power or, alternatively, by creating new social spaces according to democratic principles. If radicalized democracy is also defined to include extension of freedom, we can count in policies that help increase civic autonomy. Such policies can include universal basic income and reduction of working hours.

Resilience of capitalism

There are reasons to be sceptical of the democratic possibilities opened by COVID-19 governance. As argued by Naomi Klein already in *The Shock Doctrine* (2007), the opportunities of sudden crises are often seized by the capitalists and other elites. During the COVID-19 crisis this has meant, for example, what Robert Brenner (2020) calls escalating plunder. Corporate bailouts in the US have outnumbered financial relief provided for ordinary citizens. This has happened in spite of the widespread dissatisfaction with how the 2008 financial crisis was handled with no-strings-attached corporate bailouts. After the first shock of COVID-19, capitalism has demonstrated remarkable resilience in the crisis.

Capitalist accumulation often demands depoliticized predictability, which can be provided by various means including investment protection clauses and strict mandates for economic and monetary policy. Predictability can also be provided by formally authoritarian regimes such as China. During the pandemic, the Chinese government has managed to tame the spreading of the virus quite efficiently, even if it has also been faced with increased world political tensions especially vis-à-vis the United States. The efficiency may provide new reasons for an increasing resilience of capitalism in authoritarian political forms.

Also within what is conventionally called *creative destruction*, now in a disaster-driven form that has led to bankruptcy of many small and medium-sized firms, there exists a tendency towards more centralized economic regimes. The dominance of various platform-based tech corporations has become stronger. In theory, this could make their power more visible in ways that makes their political role more evident and could lead to public demands to democratize corporate power. In practice, market-distorting and other effects of these companies had been a growing concern already, but we have seen little evidence that the mainstream public debates about the COVID-19 crisis have significantly deepened this concern.

Nevertheless, a shock caused by a pandemic may also allow previously marginalized ideas to enter the public discourse. This has happened in the past as well. For example, during the ‘mad cow disease’ outbreak some demands external to the elite discourse managed to temporarily enter the political arena. These included public health and consumer protection demands

(Aaltola, 1999). Long-term effects, however, were limited, as shown by the apparent lack of preparedness for the new pandemic.

There have been changes in the public discourse this time as well. The most radical attempts to redefine where we are and which way we ought to go have appeared, as usual, in writing, but there have been concrete policy changes and social reorganizing as well. Most visibly, national budgets suddenly became more flexible and provided new policy space for Keynesian-inspired arguments to increase state intervention to mitigate the shock. Especially in Europe, but also elsewhere, central banks have become increasingly important facilitators for the new role of the state. There is also at least some evidence that this has opened new debates about the political role of central banks and a renewed focus on their lack of democratic accountability.

Politicization of central-bank capitalism

COVID-19 governance has amplified what the Finnish economist Jussi Ahokas (2019) and others have called central-bank capitalism. The role of central banks had been growing already before the current crisis, especially since the financial crash of 2008. Under the European COVID-19 governance, markets have been increasingly considered too weak to maintain sufficient aggregate demand, and central banks have been injecting liquidity into the markets in an unprecedented volume. The European Central Bank (ECB) was already operating in ways that were arguably reaching the limits of its mandate. COVID-19 governance is taking this to a next level. The legality of ECB's actions has been challenged on several accounts.

The fiscal capacities of the individual eurozone countries are restricted due to a lack of monetary sovereignty, which complicates deficit spending needed in the pandemic crisis. Direct monetary financing would be against the mandate of the ECB. In fact, the current institutional framework of the EU may play into the pockets of wealthy asset owners and the rentier class, because active fiscal policies have mostly been substituted with monetary easing that benefits them (Seccareccia, 2017; Montecino and Epstein, 2015). There are technical suggestions that could allow bending the existing monetary policy rules. Examples include debt conversion as well as minting coins of very high nominal value and depositing them to central bank accounts.

There have also been similar debates on whether the Bank of England has been engaging in direct monetary financing of the government to cover some immediate costs of the COVID-19 crisis, which would be a dramatic shift in central bank policy. In the United States, the Federal Reserve announced it would give more attention to its mandate to promote full employment, apart from the inflation target. Even if the ECB is institutionally more clearly focused on price stability, its mandate also permits other goals,

such as maintaining employment levels, as long as the primary goal is not compromised (Sanbu, 2020).

Compared to the power of big corporations, the role of central banks has become more openly politicized during the COVID-19 crisis. One of the main justifications for shielding central banking, especially in Europe, from mechanisms of democratic governance has been their mandated independence from the changing preferences of elected politicians, based mostly on their assumed propensity to irresponsible behaviour if their policies are subject to preferences of elected politicians (Teivainen, 1997). It is possible that the politicization of central banks may lead to demands for new institutional arrangements that would make them formally more accountable to established forms of democracy, at least in the limited sense that existed in the EU before the creation of the ECB.

For the emergence of more comprehensive supranational democratic governance in the EU, one thorny question has been the difficulty of creating mechanisms to share responsibilities for debts. During the first months of the COVID-19 crisis, Southern European governments were asking for such mechanisms, but in the EU North the governments of Austria, Denmark, Sweden, the Netherlands and Finland were reluctant to assume such expressions of solidarity. In these countries, the recovery programme agreed upon in August 2020 was often perceived to benefit the Southern member states. Actually, it may also further increase inequalities within the EU by, for example, adding to the debts of already more indebted southern member states (Wahl and Dräger, 2020). Especially in Sweden and Finland, with Social Democratic prime ministers, the lack of substantial solidarity of the governments with the EU South demonstrated the weakness of party-socialist internationalism in times of crisis.

As there are few short-term prospects for a stronger European Union based on democratic values, many have deposited their hopes in the possibility that the crisis would force national governments to assume increasingly active financial policies. This would require extending the fiscal capacities of governments, which in itself would not necessarily mean radically more democratic governance even if it could open new democratic possibilities.

The installation of more democratic principles of public finance faces many kinds of institutional obstacles. The rules of public finance will play a significant role in the aftermath of the crisis, somewhat analogous with the rebuilding of societies after wars. Although this pandemic will not leave behind destroyed physical infrastructure, it will probably lead to massive unemployment. Some suggest that a publicly funded green rebuilding of societies could be the answer, and, for example, South Korea has significantly increased its Green New Deal commitments. In many parts of the Global South, however, neocolonial shackles may prevent these kinds of policies

(Lenferna, 2020). In the eurozone, there are rules that need to be transgressed to enable substantial funding of green rebuilding policies.

State-facilitated expansion of civic autonomy

The democratic implications of the recent expansion of state regulation are ambiguous. The non-democratic power of many big corporations has been boosted, especially but not only in the sphere of platform capitalism, and democratically unaccountable central banks have become more important. Yet, states have also carried out policies that have the potential to increase the autonomy of the people. These include basic-income schemes.

One motivation for temporary basic-income-type policies has been to alleviate suffering and boost consumer demand in ways that prevent significant challenges to governmental and capitalist power. In the US during the electoral year of 2020, various kinds of relatively unconditional relief checks have been delivered to people. For a country enjoying a significant degree of monetary sovereignty, it has not presented a major financial problem. In Spain, facing more financial constraints, the government said at the beginning of the crisis that it would implement a basic-income programme as soon as possible. In June 2020, Spain started a basic-income-like experiment, including around 850,000 poor households in the country (Arnold, 2020). In the Republic of Korea, different basic-income schemes have appeared, and during the pandemic some money was directly handed out for citizens. In the Korean province of Gyeonggi, the local government has been experimenting with a local-currency-based basic income to support local businesses (Hyun-ju, 2020).

There is no guarantee that such exceptional practices will result in long-term transformation, but the crisis can make more radical demands more socially acceptable. One new justification for more permanent basic-income schemes is that they could help prevent contagion in future pandemics, since people could stay home more easily. There are several previous motivations for basic-income policies. It makes a difference whether the focus is on boosting employment, supporting the poor or increasing labour's bargaining power. Even if unconditional monetary income may help people depend less on exploitative labour relations as workers, they can also tie people more deeply into commodifying markets as consumers. For this reason, some prefer expansion of universal basic services and job-guarantee-type policies.

These approaches, however, are not necessarily as mutually exclusive as it is often assumed. We need more debate on the goals of policies such as expansion of universal basic services, democratic creation of work and basic income. Especially where the scarcity is clearly artificial or easily overcome, expansion of public services might be the most equitable solution. Furthermore, it is more efficient to share resources than for everyone to use

their basic income to acquire, for example, their own books or tools. In any case, the experiments triggered by the crisis can provide useful experiences for establishing democracy-enhancing combinations of these approaches.

Apart from financial empowerment of citizens through basic income or other mechanisms, state policies can increase freedom in other ways as well. One example is the Finnish prime minister Sanna Marin's recent proposal to explore the possibility of a six-hour work day. Although a shorter work day is a long-standing demand of the left and not directly connected to the COVID-19 crisis, one of Marin's justifications for reproposing it was that COVID-19 times had made people think about what is important in life. Not likely to be realized soon, her proposal is one example of how cracks in the present are brought into the language of governmental party politics.

The crisis has also made visible some collective demands of historically marginalized people. Examples from the first months of the pandemic include how rough sleepers in London were accommodated by public authorities in empty hotel rooms once they were deemed to pose a health threat to other residents in their neighbourhoods. In Portugal, many paperless people have been given temporary citizenship rights for similar reasons. Both of these actions can be considered to enhance democracy in the sense of equality and freedom. There is little evidence that these policies will endure, but they provide new reference points that might make similar and more enduring practices more feasible in the future.

Autonomous organizing in pandemic times

Apart from the incipient democratic possibilities brought about through state regulation, the crisis has also triggered more autonomous non-state forms of collective organization. These are often based on prefigurative principles according to which the creation of a democratic society is inherent in the organizing process (Teivainen, 2017). Some of these experiments trigger bigger movements, others remain local or fade away.

The Finnish Social Forum, taking place annually since 2002, was for the first time organized online in 2020. While especially some of the older participants expressed difficulties communicating through new platforms, the organizers noted that there was more participation by some distant communities that had not been previously able to travel to the capital city for the event. Also, for the first time ever, the International Council of the World Social Forum had a comprehensive meeting with national, regional and thematic social forums in September 2020. Overall, pandemic restrictions on physical travel have energized communication between social-forum activists in various parts of the world. In online debates, there has also been new enthusiasm to renew the organizational structures of the World Social Forum process that have been in decline over many years.

Mutual aid, emphasized historically by many anarchists, has become concrete in many localities. The term itself has become more widely used outside of anarchist activism (Graeber and Grubacic, forthcoming). There are examples of pandemic solidarity all over the globe (Sitrin and Colectiva Sembrar, 2020). Especially in the beginning of the crisis, newly founded mutual aid groups were coming up with ways to help people in their neighbourhoods. As pointed out by Geoffrey Pleyers (2020), neighbours do not always join these groups with a political or activist purpose. A Facebook group in Helsinki expressed its purpose as linking ‘those in quarantine, the sick, and the vulnerable with community members near them who can run errands and deliver necessary supplies (or whatever needed)’. It remains to be seen to what extent this kind of organizing could develop into more enduring forms of non-state political community-building.

While people have been furloughed in big numbers and others have been working from home, some people have had more time to get involved in community action (Tiratelli and Kaye, 2020). Divisions of race, class and gender mean that not all have the same possibilities. Basic-income schemes could enable more equal conditions for such involvement, in times of crisis and beyond. As we have noted, basic-income proposals have various limitations, but they may open new possibilities for practice and political theory in which reformist public policies could be articulated with more radical and autonomous democratic organizing.

Politicization of economy and (radicalization of) democracy

In times of crisis, it is often easy to overestimate the prospects for long-term radical changes. At the turn of the millennium, it seemed that the power of international economic institutions entered into a serious crisis of legitimacy as they were challenged by social movements and even some media in various parts of the world. After a few years, the challenge seemed to fade away. In 2008, the financial crisis led to fears and hopes that the global financial architecture would be reorganized. In many ways, things soon went back to normal, even if Keynesian economic ideas gained more permanent presence. What about this time?

Hopes and fears about changing the structures of governance, and the structures themselves, have various short-term cyclical features. There is, however, one issue that has steadily increased its importance in the way the world functions and the way the public becomes aware of it. Climate change is not going away and the climate movement is constantly gaining more attention. The COVID-19 crisis is yet another example of how environmental questions are getting increasingly entangled with other crises. Ideas such as the Green New Deal have received more attention during

the crisis, in Finland also among the trade unions. The economic rescue packages of the EU have even had conditionalities related to climate targets. On the other hand, the desire to get back to (the imagined) business as usual is likely to be used as an argument to emphasize more immediate material needs over climate concerns. Be that as it may, climate change is likely to be a constantly growing politicizing issue.

Within the limits we have pointed out, COVID-19 governance challenges some of the depoliticizing assumptions about capitalism. In the EU, various forms of heterodox economic rethinking got boosted by the 2008 crisis and have been made more visible by the escalating climate crisis. In the COVID-19 crisis, the political nature of capitalist economy and technocratic governance has become more evident, even if only partially. Politicization of central bank power might be easier than politicization of corporate power, also because part of the intellectual right is critical of central banks as well, although democratization is obviously not on their agenda. According to this critique, central banks are distorting market signals and efficient allocation of capital. On the other hand, business elites realize that they cannot survive the crisis without states and central banks. The suddenly increased political role of the state helps reveal the dependence of capitalism on politically maintained stability.

Possibilities of radicalized democracy lie in the politicization of what is deemed normal. Politicization can be understood as bringing options to the table. COVID-19 governance has meant the rethinking of social and managerial practices. Arguably, many options might be just patch solutions. Nevertheless, politicization is a precondition for a radicalized democracy. It opens room for various kinds of democratizing practices, even if it does not guarantee their successful outcome.

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