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A leap forward is what the eurozone needs

We need to fight the crisis, prepare for recovery and move towards fundamental reform, a German and Dutch MEP say

What seemed like science fiction just a few weeks ago has turned into reality: a global health crisis requiring the most severe of safety measures, bringing economic and social life around the globe to all but a standstill. Although all European countries are affected, European politics has made the impression of being caught up in confusion, unable to respond in a unified and cooperative manner. Worse still – with unilateral and unannounced border closures, export bans on vital medical equipment and chauvinistic remarks about other countries' crisis management abilities, the coronavirus risks plunging the European Union and its member states into a deep, long-lasting crisis.

After a slow start, the fact that a problem without borders cannot be handled by any nation state alone and requires Europe to act as union seems to have been understood. Finally, joint action to save lives and deliver medical assistance is under way. Patients in critical conditions are being transported to available intensive care units across borders. The joint procurement and stockpiling of medical goods is ongoing and joint investments in research and development of effective cures and vaccines are made at record speed.

Across Europe, companies, including flagship ventures such as Airbus, are cooperating to adapt their production processes and deliver goods and equipment that are in short supply due to disrupted global supply chains. Finally, we see evidence of the power of European unity – the promise that has led us to live political lives fighting for the strengthening and the success of the European project – re-surface in these most challenging of times. In times of crisis, Europe is saving lives.

Member states need decisive, collective action to weather the storm

In other areas of political cooperation, however, challenges continue to mount. With all but the most critical infrastructures and services still in operation, current estimates project the inevitable drop in GDP to be as high as 9 per cent for the calendar year. This sharp downturn exposes the weaknesses of the current European architecture, which barely survived the last financial crisis and its aftermath. Without pooling resources and consolidating our financial firepower, the risk of economic meltdown with dire social consequences – especially in the eurozone – is looming large.

Yet, despite this threat, European action appears sluggish. We are dismayed to see how national governments seem unable to engage in constructive debates and find common ground. We call on the member states to leave selfish agendas aside and avoid dogmatic confrontations. The idea of Europe is under pressure and nothing but an enactment of European solidarity, expressed in a constructive pursuit of solutions and outcomes in the mutual interest of all, will ensure its survival. National governments that still pursue national agendas would do well to remember that without European action, they'll find themselves quickly overwhelmed by the spread of the virus and the resulting socio-economic fall-out.

European leaders should, therefore, not look for one silver bullet. The job at hand is to develop a sense of pragmatism and – finally – of consistency that carries Europe all the way.

What is needed now is decisive action to ensure financial stability and lay the foundations for a long-lasting economic and social recovery in Europe. At the same time, it has to be clear that the mistakes of the past must not be repeated. First and foremost, this means that a regression into the politics of austerity is not an option – not least as it becomes more evident by the day that excessive budgetary discipline has weakened public infrastructures and healthcare systems, especially in Southern Europe.

We should also not repeat the mistake of bailing out big banks while forgetting about the citizens needing our support the most. Indeed, instead of providing economic stability or weathering this economic storm with reserves built up during good times, banks and corporates are again looking at the government for support. They should not be the only ones to receive it. The lesson of this crisis is when all else fails, governments – local, national and European – step up to the plate: they contain the spread of the virus, provide much needed health care and

secure economic lifelines for people and firms. The age of big government might not be over after all.

The real challenge is to build a better Europe for all

What is more, the current situation shows that urgent steps are needed to develop solid and democratic community instruments to deal with economic shocks. Our political family has sought to establish a modern economic and financial architecture for Europe and has advocated policies that can respond to the pressures we see mounting since the inception of the eurozone. Jointly issued bonds are one of the tools in this toolbox, as are a common treasury, a permanent stabilisation mechanism dispensing emergency liquidity, automatic stabilisers such as an unemployment re-insurance scheme and a broader mandate for the European Central Bank – to name just a few.

While economists widely consider these elements necessary and inseparable building blocks of a lasting and successful economic and monetary union, politicians have not yet dared to take the leap forward. Yet a leap is needed to weather the current storm and underpin a recovery that accommodates transformational imperatives that exist independent of the Covid-19 crisis, such as implementation of the European Green Deal and the United Nations' Sustainable Development Goals.

The fact that some of these instruments, or just their core components, may be in place before others neither constitutes a hierarchy between them nor suggests that one element might be able to compensate for the lack of another. Current debates may give the impression that the solution to the current crisis lies either in the issuance of joint 'coronabonds' or in the activation of the European Stability Mechanism (ESM). Instead, Europe will only measure up to the challenges headed its way once it possesses all of it: the capacity to issue joint bonds, a reformed ESM that can provide liquidity assistance under acceptable conditions and a sufficient degree of fiscal union, including key competencies and harmonisation in the field of taxation.

European leaders should, therefore, not look for one silver bullet. The job at hand is to develop a sense of pragmatism and – finally – of consistency that carries Europe all the way. Europe needs swift solutions to put out fires and achieve stabilisation in the short-term, but it also needs to lay the foundations for a long-lasting recovery that allows Europe to evolve into a more stable and sustainable construction than it was before.

Focussing on quick fixes and leaving unfinished the real business of developing the eurozone into a solid and genuine monetary union, will leave nation states vulnerable to future shocks and cannot be the end result of these challenging times.

In the past, Europe often mastered crises through visionary but level-headed leadership by the European Commission. That is also what is needed now. By tabling proposals allowing for swift and concrete results, the Commission can create the necessary momentum to get national governments out of their trenches. If the outcome of the current crisis were a fundamental reform of the Economic and Monetary Union, the result would not signify a German, Dutch, or Mediterranean Europe. It would be a better Europe for all.



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