EUROPEAN INTEGRATION 09.04.2020 | Maria João Rodrigues & Paul Magnette

Only a 'New Deal' can rescue the European project

This 5-point plan could be the beginning of a new era of coordination and solidarity in the history of European integration

The combined sanitary and economic crisis that the new corona virus brings upon us may in the short term seem one that affects some EU Member States more than others. But it will soon become a systemic crisis for the EU as a whole and not just for the Eurozone. Only a very bold and ambitious plan, combining urgent measures and a long-term vision, as did US President Roosevelt's 'New Deal' in the aftermath of the 1929 'Great Crash' can rescue the European project. This plan must open a new era of coordination and solidarity in the history of European integration. Sceptics might argue that such an ambitious plan requires changes to the EU treaties. This however is a false argument.

When a major and unexpected shock occurs, self-proclaimed prophets emerge, arguing they had seen it come and proposing ready-to-use solutions. This happened after the fall of the Berlin Wall and in the midst of the 2008 financial crisis. It did not happen this time. This simple fact demonstrates, if need be, that the COVID19 crisis is the most unforeseen and the deepest crisis the EU has experienced since its foundation. In times of uncertainty, we not only need strong and urgent measures, but also a clear vision of where we want to go, once the peak of the sanitary crisis is over.

The least we can say is that this didn't happen so far in Europe. The first weeks of the crisis have seen the repetition of the heart-breaking scenario of the post-2008 shock: governments acting separately, while the EU was nearly absent from the scene. Seen the daunting task that awaits us, this time, we cannot afford acting like that. In the absence of a strong common reaction, the EU might lose its already fragile legitimacy in the eyes of its citizens.

Populists and nationalists have not waited to denounce a virus coming 'from abroad' and claiming national protections and the total closing of

borders. While the citizens of the European Union are confronted with a dramatic health crisis, which has already claimed thousands of victims and that will deeply hit our economies and social fabrics, the European Council proved unable to overcome its traditional divisions. The political roots of the EU are at stake and it is not excessive to say that so are its moral roots.

The spirit of Roosevelt

We believe only a very bold and ambitious plan, combining urgent measures and a long-term vision, as did US President Franklin D. Roosevelt's New Deal after the 1929 financial crisis, can rescue the European project. This plan could be the beginning of a new era of coordination and solidarity in the history of European integration.

This is not the time to reopen a discussion on the responsibilities of member states or a beauty contest among more or less virtuous ones. Comparisons with the 2008 financial crisis are inherently misleading. This is an exogenous shock and it hits all member states. Some of them might be able to put on their own recovery plan, with national budgets. But this will not save them. If some countries face, in the coming months, a structural crisis of their public health services and a deep and long-lasting recession, all member states will be, at some point, affected.

The plan we call for is based on the lessons drawn from the flaws of our own EU arrangements, and the missed opportunities of the recent past.

In the parlance of the economists: this is a symmetrical crisis with asymmetrical effects in the short term, but it will soon become a systemic crisis for the EU as a whole and not just for the eurozone. The EU's economies and societies are so deeply intertwined (as the problems in the supply-chains of medicines and medical devices already demonstrates) that a major shock in some EU countries will hit the others as well and hence the EU as a whole. The problem is European, and the answer must be European. And an European strategy must encompass a global dimension too: since the prosperity of the EU heavily depends on its relations with other regions of the world, the consequences of the COVID19-crisis on other continents will also affect us, eventually.

The plan we call for is based on the lessons drawn from the flaws of our own EU arrangements, and the missed opportunities of the recent past. In the 1930s, Roosevelt was clever enough to understand that the

systemic weaknesses of the US needed to be corrected if the American democracy, citizenship and sense of belonging were to be preserved. There is no reason why the EU, nearly one century later, would not be capable of the same political intelligence.

Five steps we need to take

First, we need a very thorough assessment and a revision of our monetary and fiscal rules. That the European Central Bank has acted rapidly to buy national debts, going beyond its own 33 per cent purchase ceiling of countries' debt, while the EU Commission decided to suspend the Stability and Growth Pact, is the best demonstration that the EU is not equipped to cope with such a systemic crisis with the monetary and fiscal canons established so far. The absence of a real European Treasury and a real banking union appear more than ever as tragic weaknesses for the EU. The existing rescue tools (European Stability Mechanism, Solidarity funds etc.) are much too restricted and conditioned to offer the level of reaction we need now.

The European Union must seize this opportunity to overcome its divisions and mobilise the necessary resources both to help the member states and to develop its own European action. Issuing a specific kind of European bonds to complement the gigantic effort already made by member states to strengthen their health systems and their economies is the smartest and cheapest way to prevent a violent destruction of human lives and of millions of jobs. It also necessary to adapt the Stability and Growth Pact in order to allow membersStates to use public investments as a tool to support economic growth when the output gap is negative. If we don't go that way soon enough, the unprecedented recession the EU will face, with the social hardships this will inevitably entail, represents an existential risk for the EU.

Second, this is also the moment to settle long-lasting internal disputes, to enlarge the EU's own resources and to develop its fiscal capacity: fighting tax fraud and evasion, taxing international financial transactions and imports from countries which do not contribute to the fight against climate change, will be indispensable to provide the ambitious Multiannual Financial Framework, the EU's long-term budget, which we need to address this crisis.

More than political divisions and endless legal discussions, what the EU needs now is a wide

Third, the EU's silence and quasi-inaction during this first wave of reactions show that the scope of its coordination and its interventions are not adapted to the challenges of our time. We are the global champions of research and

mobilisation of its civil society.

development and we have developed the most efficient public health systems in the world, but yet we are witnessing phenomena of shortage and breaks in the supply-chains that remind us of the darkest hours of our history. The European Commission must validate the tests for the new corona virus that member states can use, identify the most promising treatment and invest to develop and produce in Europe vaccines for all European citizens. Re-organising our public health systems and correcting these flaws implies a deep revamping of our internal market, focused on the re-localisation of critical sectors and enhanced integration of production and supply chains in vital fields such as health and food security.

Fourth, the EU must restore its original ambition to make our economy not only more integrated, but also more inclusive and resilient. Jobs must be saved immediately, and a destructive downward spiral of supply and demand must be stopped. Companies that will be helped by public authorities, through loans or equity buying, will have to remember that they were helped to save jobs and that they share this responsibility. In doing so, many companies and SMEs will transform themselves, going digital and hereby becoming less carbon emitting. A new European industrial, innovation and training policy should actively support this transformation.

Fifth, with this sanitary crisis, the European Green Deal has not become less urgent, as some argue. But the loss of biodiversity and our waste-oriented production and consumption patterns are in large part responsible for the propagation of the virus and our inability to react properly. The Covid-19 crisis makes the transition of our economies and societies towards a more sustainable way of life more urgent than ever.

Sceptics might argue that such an ambitious plan requires treaty change and that, in the midst of a global crisis, the EU cannot waste time with such discussions. But this is a false argument: when the banks needed to be rescued in the aftermath of the 2008 crisis, we managed to adopt rapid decisions through regular EU-decision-making processes, and those decisions were included in the EU's basic norms after the storm – a process legitimised by the European Court of Justice afterwards.

More than political divisions and endless legal discussions, what the EU needs now is a wide mobilisation of its civil society. The deep

reconstruction of our political community this crisis calls for requires a wide public debate, that implies social partners and civil society organisations, academics and journalists and all the active citizens who think that going back to business as usual would be a historical mistake.



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