

EU Recovery Package: What is Plan B?

Mercator European Dialogue

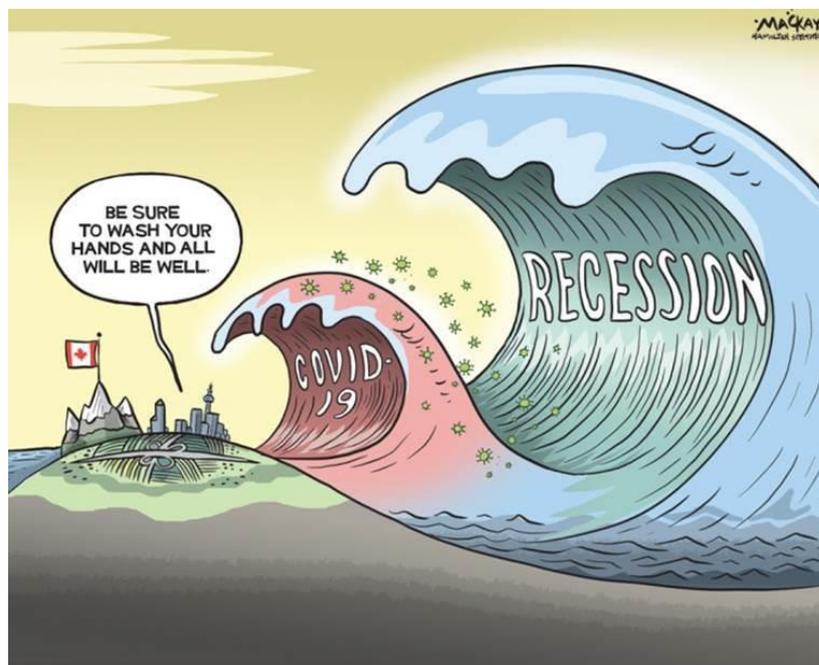
20 July 2020

This conversation took place while the EUCO negotiations on the MFF and COVID-19 recovery package were still ongoing. At the time of the call, it was still unclear what result the summit would bring. A small group of members of parliaments and governments from Portugal, Romania, and Spain - some of the countries hardest hit by this crisis and designated to receive large amounts in grants and loans in the draft version of the package – got together to explore options and coordinate ways forward.

COVID-19 has not only triggered a health crisis of proportions still unknown to anyone today. It is also set to cause the most significant global recession since World War II. This meeting was designed as an exercise to look at the bigger picture and the underlying systemic causes of this crisis, across countries and parties, and discuss alternatives pathways out of it.

Highlights of the conversation

- As we started our conversation, one participant from Portugal shared this editorial cartoon by G. MacKay with the other participants:



G. MacKay for *The Hamilton Spectator*, Wednesday March 11, 2020.

- Participants and experts highlighted that the **systemic implications** of the decisions taken at the EU Council meeting of 17-21 June will go far beyond the economic stimulus they aim to achieve.
- Those present agreed on the importance of the EU Member States to find a compromise to show collective **responsibility and solidarity**. Overall, most were optimistic that a suitable solution would be found.
- Some countries have more means to spend than others and that even EU money was needed to reinvigorate the economy, setbacks and challenges will still be present once the funds start to flow. Some participants stressed that the **EU needed to send a signal of strength** to inspire confidence and avoid damaging the stock market. One participant stressed that this should not be about some countries receiving and some giving, as the continued functioning of the common market is essential for everyone's wealth.
- Some perspectives from different countries on the **problem description**:
 - One participant from Portugal said that their country was already too indebted to invest large sums into economic recovery. This sparked a conversation on whether a worrying debt is best countered with a lower debt rate by keeping the GDP higher through credit spending;
 - One participant from Portugal pointed out the difficulties of regions relying heavily on tourism: it is already clear that a lot of businesses will not stay afloat. The EU's proposed recovery package would channel most money towards innovation and long-term restructuring of the economy, which, the participant feared, would not reach many businesses and workers that are already struggling in time;
 - Another participant from Romania pointed to the problem of migrant workers in the crisis. The flow of remittances is suddenly much lower. Additionally, migrants return home to their countries of origin because they no longer find work elsewhere, which strains the home country's social system as they request unemployment benefits.
- In addition to the health and economic crisis, a **political crisis** may be looming. Participants from Romania, a country that is set to hold legislative elections later this year, highlighted that a growing number of politicians and media are denying the existence of COVID-19. They stressed the importance of clear and frank communication on the effects of this crisis to counter such developments.
- It was pointed out that while this crisis may be unsettling for better-developed economies, for countries that were almost in perpetual economic crisis, economic disruptions may bring **opportunities to innovate and modernize**. One participant added that if there was a signal of strong stimulus from the EU, the markets, which are currently awash with capital seeking worthwhile investments, would take care of fixing the crisis. Some innovations were already visible, e.g. in the efficiency gains, both monetary and productivity-wise, achieved by remote work. Another participant agreed and added that while restrictions imposed by the "Troika" after the last crisis impeded some government responses, they also brought about necessary political reforms. Others replied that the availability of cash at low interest rates meant that the stock market was merely inflated and would

crash soon enough, leaving a battered real economy with few financial means as central banks are already at the limit of what is possible in terms of monetary stimulus.

- A member of the network suggested that while public health and the economy were on everyone's mind, education systems were completely forgotten in the conversation, even though they are key for all democracies. What will be the effects of the months-long closure of schools? What about parents not being able to go to work because schools are closed? This topic could be further discussed in future meetings of the MED network.
- **What next?** EU leaders have struck a deal on a huge post-coronavirus recovery package following a fourth night of talks. The package now requires ratification by the European Parliament, which will begin its scrutiny of the deal this week. More technical negotiations among member states will continue in the autumn. Meanwhile, the current multiannual budget runs out on 31 December 2020.

What more can we do?

Please remember, the Mercator European Dialogue is a network that is MP-driven hence we look forward to hearing from you. **If there is any topic you are working on at the moment that you would like to discuss with parliamentarians from across Europe please let us know** and we will be happy to support you and facilitate the next conversations.

These dialogues are part of "**Advance Politics**", a special format that the **Mercator European Dialogue** designed in collaboration with **The Institute for Integrated Economic Research**. This format allows policymakers to challenge assumptions and dig deeper into the big questions of our times, while engaging in out-of-the-box thinking with a select group of peers from across Europe. For more information about IIER, please click [here](#).

Please note, the content of the briefings and the opinions of our guest experts do not reflect the views of the Mercator European Dialogue or any affiliated partners, but only those of the authors themselves.

Follow-up with the IIER Experts



Hannes Kunz is the founder and President of the Institute for Integrated Economic Research (IIER), a non-profit economic research and consultant institution. Since the start in 2007, the IIER contributes to the development of a systematic view of the human economic system. Previously, Hannes Kunz has worked for different IT and life science companies as well as global management consultancies in Europe, the Americas, and in Asia. He is a renowned expert in economics, market analysis and human behavior.

hannes.kunz@iier.ch +33 6 12 51 04 61



Nate Hagens - Fellow, the Human Predicament. Nate is a well-known speaker on the big picture issues facing human society and currently teaches a systems synthesis Honors seminar at the University of Minnesota 'Reality 101 – A Survey of the Human Predicament'. Nate is on the Boards of Post Carbon Institute, Bottleneck Foundation, IIER and Institute for the Study of Energy and the Future. Previously, he was lead editor of The Oil Drum, one of the most popular and respected websites for analysis and discussion of global energy supplies and the future implications of the upcoming energy transition. Nate has appeared on PBS, BBC, ABC and NPR, and has lectured around the world. He holds a master's degree in Finance with Honors from the University of Chicago and a PhD in Natural Resources from the University of Vermont. Previously Nate was President of Sanctuary Asset Management and a Vice President at the investment firms Salomon Brothers and Lehman Brothers.

Njhagens@gmail.com +1 802 999 2614

Keep in contact! Please know you can find contact details of all **MED** members on the **Members-only** area of the **website**, which is accessible here. www.mercatoreuropeandialogue.org/login/

Should you have issues logging in, you can contact rschalast@gmfus.org .