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## General welfare first!

After the crisis is before the crisis? In order to prevent this, governments must show much more courage and imagination

By Hans-Jürgen Burchardt | 17.04.2020

Read this article in German.

Politics, too, can kill. Determined, convincing, limitless and never considering the losses, politics has optimised conditions for financial markets, large assets, business and the economy ever since the fall of the Berlin Wall. It opened the door to globalisation and hindered social and ecological regulation. As a result, public services have been neglected and the environment destroyed – everywhere around the world. Today, billions of people subsist in misery. What's particularly obscene is that this is happening under the banner of prosperity and freedom.

This approach is disturbing; considering that, during the corona crisis, government is doing everything right: prioritising the protection of the vulnerable over economic interests, and explaining and acting for the good of the people. Many governments are focusing on their basic mission to create and protect the general welfare. On closer inspection, we have to wonder: Why are countries acting so forcefully now – after decades of claiming that they couldn't contain economic globalisation or control liberalised financial markets, that they couldn't tax large assets and that economic efficiency required cutting public services and lowering wages? Why don't we respond to Greta Thunberg's justifiable warnings of a much greater catastrophe awaiting humanity with similar determination – rather than showy dismay and feeble measures at best?

The corona crisis gives us certainty: Now we know that the state is capable of acting. It can enforce policies that are good for the population – if it wants, as it wants, wherever it wants. European states can suddenly abandon cherished principles like the balanced budget, 'the black zero' and even the EU Maastricht criteria. They can nationalise companies and revive the old idea of joint debt with coronabonds. This is not just a beginning – it's a perspective!

After all, it's not just the highly infectious coronavirus that kills, but also deep social inequality, the material misery of significant parts of the world population and the total absence, or shortcomings, of social services that politicians have tolerated or even implemented. But this new virus is an equaliser that can't be stopped by national or social borders.

## A coordinated global response

This cross-border pandemic is crying out for a coordinated global response. Many countries have declared war on the coronavirus but it can't be shot dead. Defeating this virus requires immediately suspending all acts of war worldwide. Reallocating half of the USD 1.8 trillion that is spent on arms each year to global healthcare would make it possible to fight many other diseases as well. Only governments buy armaments. The EU and NATO could set an excellent example by jamming the brakes on the current arms race.

If borders can't stop the virus, right-wing populists and nationalists will continue to stir up public sentiment against the free movement of money, goods and people. That works because governments have neglected international cooperation. The US shows that national go-it-alone efforts cannot stop the disease spreading. In fact, they exacerbate its consequences.

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Concerted outward-looking domestic policies would have slowed and contained the spread of the virus. Europe is an especially painful example of this: Had EU members courageously and generously supported Italy instead of retreating into their national snail shells, Europe would be in a different position today – and tomorrow. How many lives would have been saved if the well-equipped hospitals in Austria and Germany had immediately admitted seriously ill Italian patients? Do we want to return to small-minded parochialism or we will manage to preserve European freedom of movement?

The only barriers we should be negotiating now are those to greater coordination, integration and aid. This is true for both Europe and the world: The

WHO is demonstrating the effectiveness of multilateral cooperation in combating the pandemic every day. In contrast, the IMF oozes contempt for human beings by refusing to help a country plagued by a social catastrophe, like Venezuela, because of political sensitivities.

The lessons are simple: More resources must be provided to the United Nations, as well as to regional and international organisations that should be democratised at the same time. All the sanctions against Iran, Cuba, Zimbabwe and other international pariahs should immediately be suspended on humanitarian grounds. A large international aid fund and debt relief should be instituted for vulnerable countries in the Global South. One single weak healthcare system increases the risk that the virus will spread worldwide.

## **A time for public investment**

Major financial players are already seeking to profit from the corona crisis, as shown by recent speculation about European cohesion. Yet economic instruments have only limited capacities to direct markets to finance the provision of basic services, public services and ecological investments. That's why we need massive public borrowing now. Anyone who rejects European coronabonds today does not understand this crisis. What's worse, they are stoking the next one.

At the same time, credit and foreign exchange controls are needed to restrain financial markets by democratic means. Profits from assets and capital, as well as the heirs to huge fortunes, must be taxed at much higher rates. It's time to make the one per cent of the world's population that possesses over 40 per cent of global wealth socially responsible and tax it effectively. This is not technically difficult; each country can do it by itself. But international cooperation is needed to dry up tax havens and prevent capital flight. Brexit weakened the London Stock Exchange, creating excellent starting conditions and Germany, which has one of the largest shadow banking sectors, should proceed boldly.

Many countries are now putting together the largest stimulus packages since World War II. This support is essential to mitigate the consequences of the crisis. The coronavirus era could engender a New Deal that includes and engages everyone (including companies and the wealthy) – with democratic states not only clearing the way, but also setting the pace and the goal. The former has already been tackled energetically; as for the latter, politicians seem to be afraid of their own courage. Let's get going! The objective is obvious: ecological and socially acceptable change, like the approaches presented for a 'just transition'.

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Many governments have been surprisingly unimaginative in primarily focusing on creating stability and maintaining the system. Nationalisation is only being considered to nationalise losses – rather than for experimenting with new forms of ownership or expanding worker participation. The current enormous opportunities for rationalising (keyword: digitalisation) are being implemented in key industries – above all, the automotive industry. At the same time, however, it's the ideal time to commit the entire economy to more ecologically compatible forms of production, to reduce private transport in favour of public mobility, to expand recycling technology and so forth. At first, reports of some countries unexpectedly reaching their climate goals thanks to the crisis sound cynical. In fact, this is pointing the way. However, the latest stimulus packages show that in many places the need for an environmental transition has not yet hit home.

The temporary suspension of production in many major industries must not mean that they get the largest share of state aid. It is important to ensure the balanced distribution of aid to shore up municipal and regional economies and small and medium-sized enterprises, as well as to shorten supply and production chains, making sure they are also sustainable. We need not renounce world trade, which with wise regulation can ensure welfare effects for everyone. But we must consider how economic re-regionalisation benefits more than just the climate.

## Same old same old?

It's not only the coronavirus that kills: So does our ignorance in failing to promote the general welfare. We must finally provide sufficient resources to ensure basic services. The typically female jobs of care giving and nursing, which have never been appreciated, must be more highly valued. It took the coronavirus crisis for this feminised work to be acknowledged as 'systemically important'.

Inadequate and broken healthcare systems everywhere must be improved as quickly as possible in order to manage the onslaught of sick people. However,

many countries have hardly any public services – meaning that basic care has to be ensured through direct aid or social covenants. Wherever such measures are unsuccessful or unwanted, the death toll will be unbearably high.

Once the corona crisis is over, massive infrastructure investments in healthcare, education, care giving, nursing and transport must ensure the universal provision of basic services. Rural areas, too, require investment. The time is ripe for considering unconditional basic income for all of Europe.

But let's not kid ourselves. We could end up with more of the same old same old! At this moment, coronavirus shock waves are causing existing fractures to crack wide open, but there's no guarantee that much will change after the pandemic has passed. Crises are processes that can shake and break up social, economic, cultural and political configurations and create new ones. But it's also possible for them to become more entrenched.

We are all paying for government economic stimulus packages. All of us? If we revert to our old patterns after the crisis, austerity policies and financial markets will too soon rule the world again, dictating fiscal discipline that will lead to clear-cutting and social cuts – and probably kill more people than the coronavirus does today.

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