



COVID-19 and the EU: A game changer or same old?

Amy Verdun, 4 December 2021, Presentation in the Elder College

'UNDERSTANDING THE EU' lecture series (based on work with Lucia Quaglia, U of Bologna)



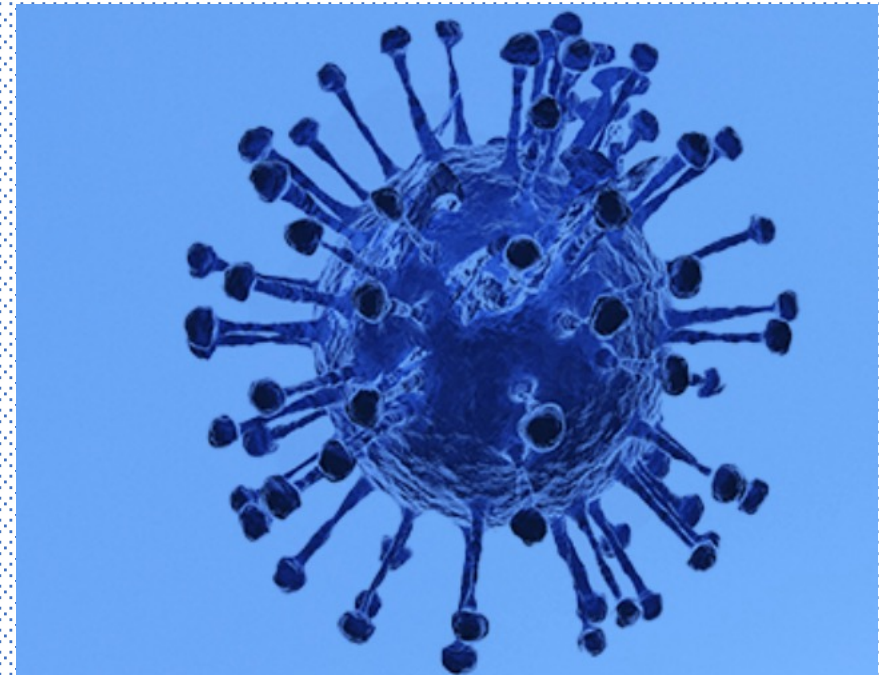
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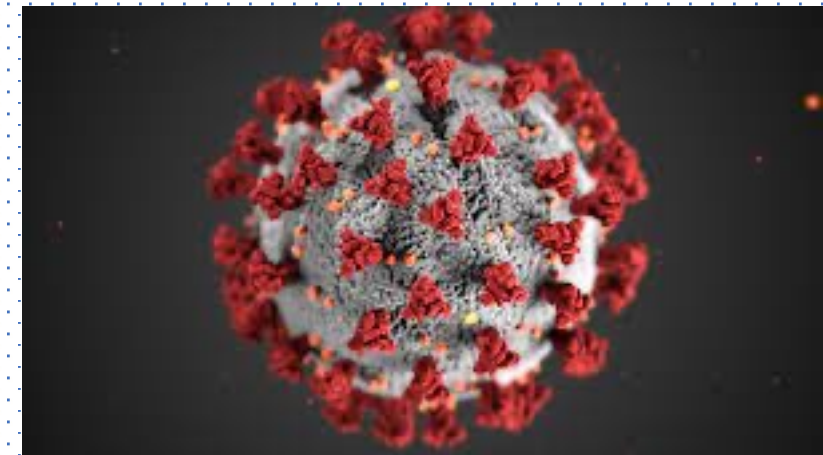
Implications of COVID-19 crisis on EU institutions, policies and politics

- The crisis generated by the COVID-19 pandemic raises several important questions:
 - i) how has the EU responded to the pandemic and why?
 - ii) what have been the repercussions of the COVID-19 pandemic crisis for the institutions, policies and politics of the EU?
 - iii) What theoretical lessons can we draw?
- These are questions that I am embarking on in a SSHRC-project funded with colleagues in Italy, (Lucia Quaglia and Amy Verdun)



Outline of the talk

- Start of the Pandemic & background
- EU Responses
- Effects
- Symmetric crisis
- Analysis
- ECB, the RRF and other forms of cooperation
- Protests
- Lessons
- Conclusion





Italy's death toll due to Covid-19 in March 2020 higher in 2020 than in any other year since WWII.

Source: Reuters

Start of the Pandemic

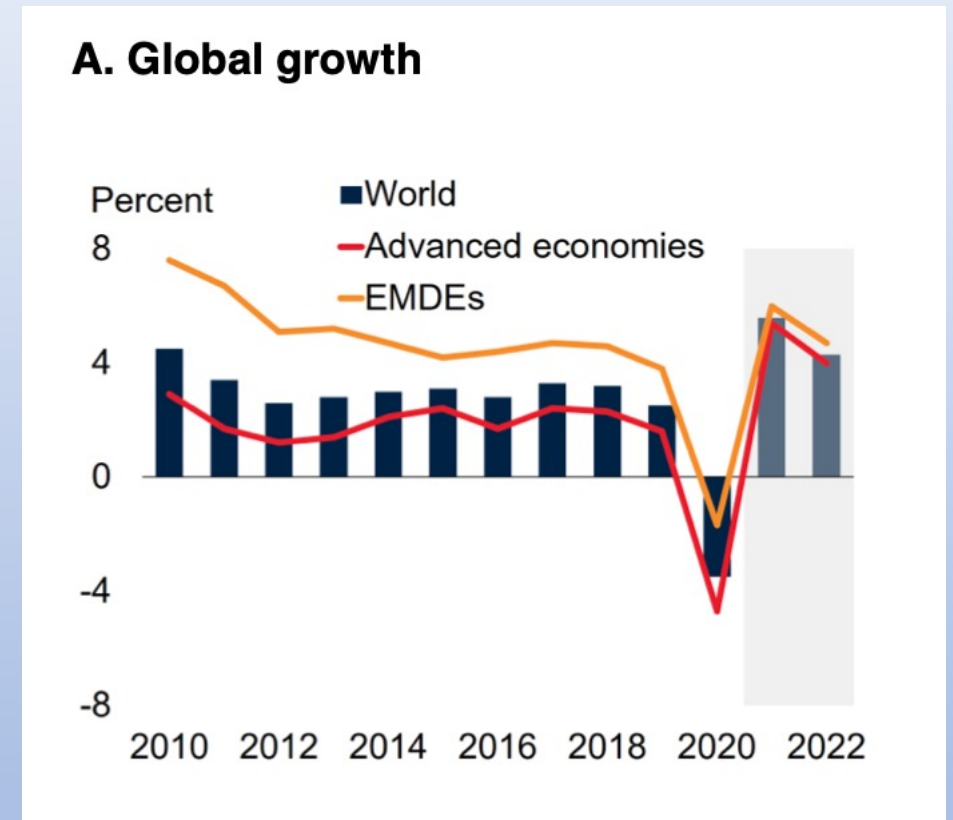
- Covid-19 erupted in Italy in January 2020
- swiftly spread across the continent.
- Pandemic declared by World Health Organisation (WHO) 11 March 2020

Director-General of the World Health Organization (WHO)
Tedros Adhanom Ghebreyesus
(pictured right, photo WHO)



Background

- The COVID-19 pandemic is first and foremost a public health emergency.
- However, the impact of this pandemic was a major economic crisis – taken together, the worst economic downturn since World War II (World Bank 2021).



Source: World Bank

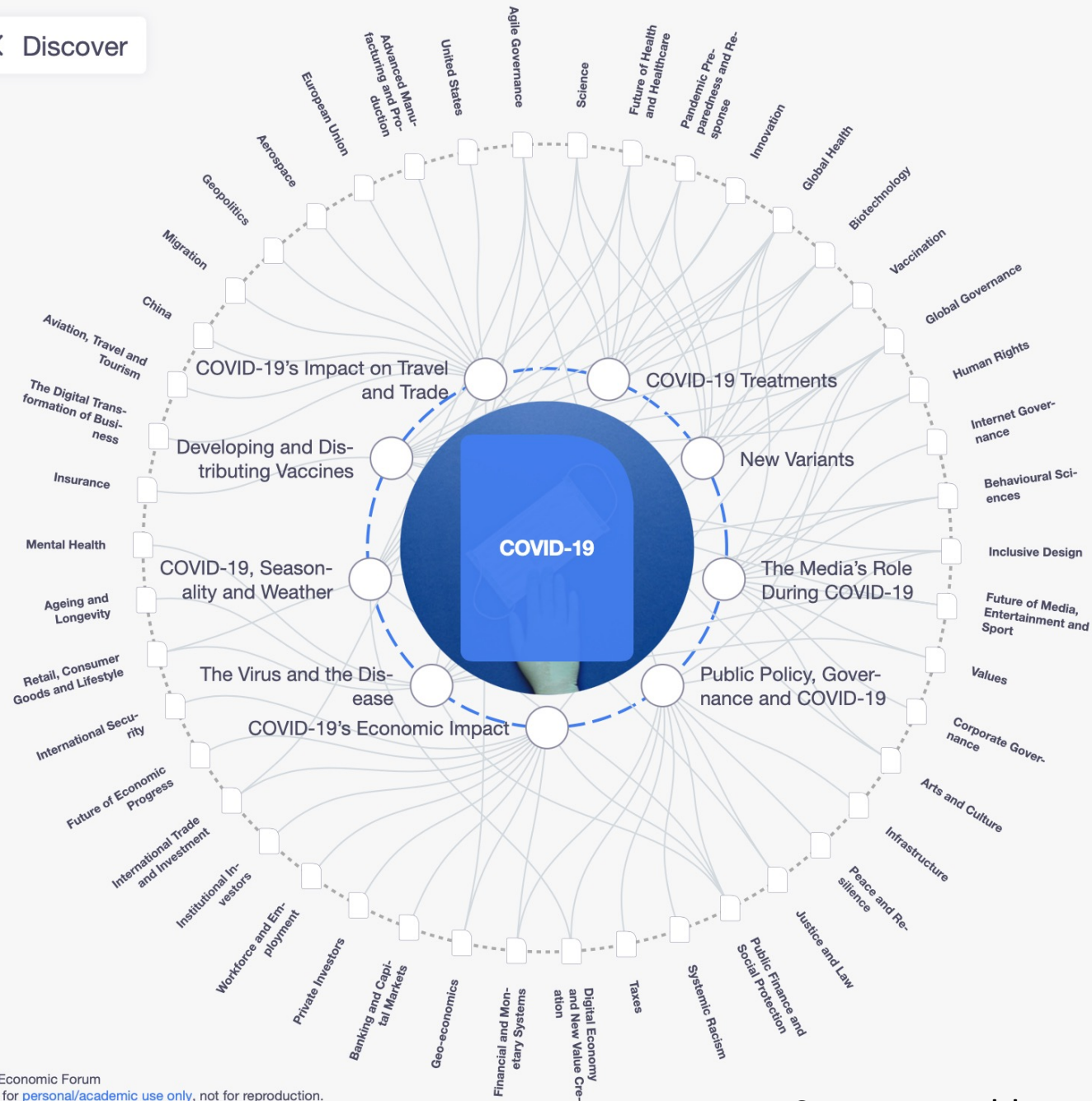
The Pandemic and the EU



Source: Vox.eu

- The crisis posed unprecedented challenges to the European Union (EU) and its member states.
- Health policy is mostly national competence (although: single market)
- It put severe pressure on questions about Europe's place in the global political and economic order.
- Faced with these extraordinary economic and political challenges, the EU responded by adopting a vast array of short-term and medium-term measures.

← Discover



EU responses

- We examine the EU's response to the pandemic.
- Motivation: role EU vis-à-vis member states (and their subnational units) responded to the crisis,
- *sui generis* nature of this multi-level system of governance
→ a polity in the making.





#TeamJunckerEU



Europese
Commissie

Commissie
européenne

European
Commission



Prime Minister Mateusz Morawiecki of Poland, far left, and other European Union leaders at a summit in Brussels on Thursday. Olivier Matthys/Associated Press

EU responses (cont'd)

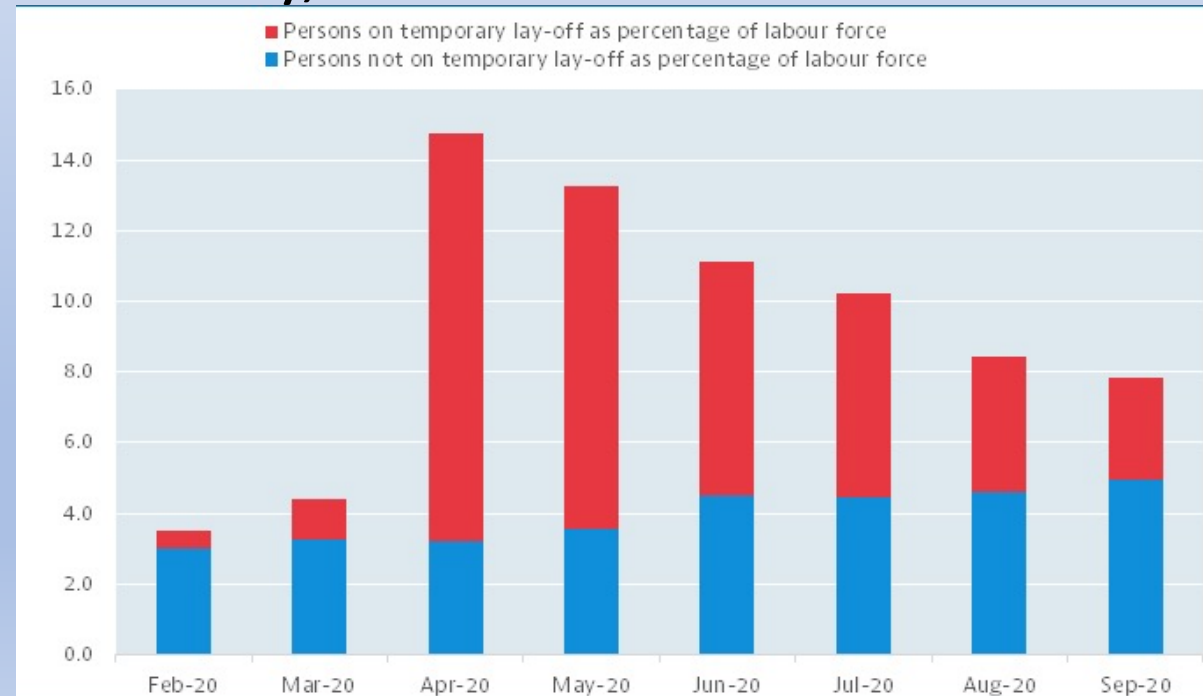
- Which institutions (governments) responded,
- when, and
- with what types of measures.
- EU is but one entity, made up of other entities.
- It can work together or apart.
- Countries in other parts of the world have experienced similar threats to their systems.
- To what extent has the EU responded in a way that was similar or different what others have done the globe.
- Is the whole (EU) more than the sum of its parts (member states)?



Source: www.freepik.com

Effects pandemic across the world: far-reaching economic, social and political effects

- soaring levels of unemployment,
- disruption of production and of supply chains,
- large scale state interventions in the economy,
- ballooning public debt,
- overload of public health systems,
- repeated lockdowns,
- disruptions of education systems,
- limitations of personal liberties,
- increasing social inequalities.



Source: OECD

A symmetric crisis

- affected all countries roughly at the same time
- countries could not avoid eventually getting the virus within their borders
- Yet the crisis was perceived as different from those that came before.
 - Contrast with three earlier crises, (i) the 2007-2008 financial crisis, (ii) the 2009-2015 sovereign debt crisis, and (iii) the 2015-2016 migration crisis,
 - member states considered these earlier shocks at some level to reflect policy failure.
 - governments considered potential moral hazard issues,
 - Whether or not (under what circumstances) to provide (un)conditional support.
 - In the case of COVID-19, however, the feeling was that member states' policies had very little to do with the onset of the crisis.
- Thus, pandemic offered a reminder of the need to express solidarity, cooperate across borders, highlighting the benefits and costs of international cooperation in transboundary crisis management and pursue joint problem-solving.
- The effect of the pandemic on EU member states was not at all the same (Sapir 2020).

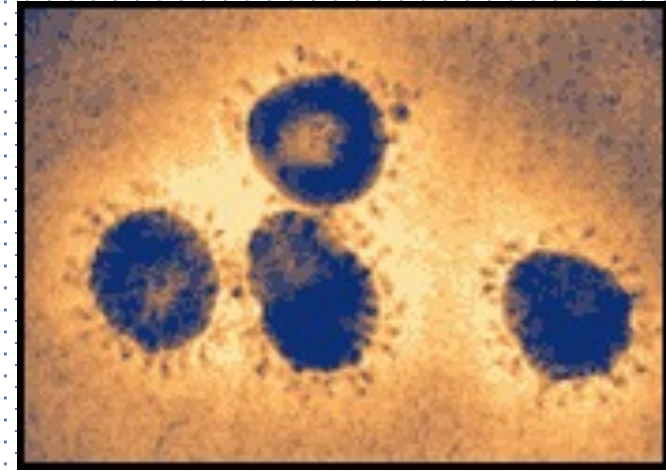


Image source: F.A. Murphy and S. Whitfield, CDC

Analysis

- the key issues at stake in the EU's response to the COVID-19 pandemic against the context of the long-term evolution of the EU,
- including deepening economic and political integration in the EU versus looser cooperation.
- the EU institutional level pandemic response occurs within weeks of the United Kingdom (UK) leaving the EU (31 January 2020).
- Nevertheless, the COVID-19 pandemic generated tensions between the EU and its member states concerning the distribution of competences,
- Extension of EU's competences to new terrains in times of crises;
- the redistributive issues triggered by the pandemic within and across countries ('north' versus 'south' and 'east' versus 'west', for instance), generating 'winners' and 'losers'
- More general political discontent;
- the effects of the pandemic as a manifestation of globalisation;
- the effects of the crisis and its management on public opinion and political parties
- further international cooperation (cross-border regional (EU) and international political and economic cooperation).

Analysis (cont'd) – response from EU institutions

- EU institutions were among the first to respond.
- The EU engaged in a cooperative, positive-sum game, - not a clear conflict between the European Commission and the Council (Kassim 2021),
- more generally, not a conflict between EU supranational institutions and intergovernmental ones.
- Moreover, unlike in the early years of the sovereign debt crisis in the euro area, there was from the outset good cooperation between the ECB and the national governments gathered in the Council.
- During the financial crisis and the sovereign debt crisis new institutional structures were created to ensure policy coordination, for example by using the European Semester (D'Erman and Verdun 2021). In the period between 2015-2019 there was a challenge in terms of deflation (very low inflation rates or even negative interest rates).
- With the COVID-19 crisis, the macroeconomic policy mix put in place seemed to hit the spot: a monetary stimulus coupled with a fiscal stimulus (Buti and Messori 2021).
- This response was different from those during previous crises at which time the ECB did most of the heavy lifting by running a loose monetary policy, but member states kept pursuing tight fiscal policy and where the Commission and Council often required austerity measures



Photo:
Politico

European
Central
Bank,
Frankfurt

Role of the European Central Bank (ECB)

- Recall: ECB president Mario Draghi [26 July 2012](#).
- ECB President Christine Lagarde had said on [12 March 2020](#) in response to a journalist question, by purchasing government bonds, the ECB effectively contributed to closing the yield spread between government bonds of fiscally sound and less fiscally sound member states.
- Largest and fastest response was the European Central Bank (ECB).
- Already on 18 March 2020 it made available a Pandemic Emergency Purchase Programme (PEPP), which is a non-standard monetary policy measure, that temporarily aims to purchase assets (ECB 2020b).
- The initial envelope for the PEPP, was €750 billion (March 2020), but by June another €600 billion was added and in December another €500 billion was added (€1,850 billion in total; ECB 2020c).
- The programme aimed to reduce borrowing costs and increase lending in the euro area by buying several different kinds of assets.
- All asset categories eligible under the existing Asset Purchase Programme, which had been initiated in 2014 in response to the sovereign debt crisis, were also eligible under the PEPP.
- Thus, in this respect, there was a remarkable institutional and policy change.

EU Recovery and Resilience Facility

- European Council agreed to using the Multiannual Financial Framework (about 1% of EU Gross National Income) for stimulus and borrowing from international financial markets
- **Recovery and Resilience Facility** is the key instrument at the heart of NextGenerationEU to help the EU emerge stronger and more resilient from the current crisis
 - Temporary recovery instrument
 - Commission may raise funds to help Member States implement reforms
 - Enables funding of investments that are in line with the EU's priorities
 - Those that are identified in country-specific recommendations under the European Semester framework of economic and social policy coordination.
 - It makes available €723.8 billion (in current prices) in loans (€385.8 billion) and grants (€338 billion) for that purpose (source European Commission 2021).

Recovery and Resilience Facility

RECOVERY AND RESILIENCE FACILITY

Financial support to public investments and reforms



Other forms of cooperation

- After a short scramble in the early weeks, where the reaction was mostly national, European cooperation emerged:
- Virtual video conferencing to coordinate policies among EU member states
- Funding of research on vaccines
- Coordinated on vaccines (EU-level contracts)
- Sharing of Personal Protection Equipment
- Cooperation on joint policies (coordinated testing strategies)
- Share hospital capacity when member states are in need.

Protests



Source: ECFR.EU

Lessons from the COVID-19 pandemic for understanding European integration (theories)

- Supranational or intergovernmental?
- Who is the most important actor?
- What are the mechanisms?
- Policy learning?
- The EU in crisis – bicycle theory
- Deepening versus widening
- The UK
- Likely next steps.

The European Union lived up to its responsibilities during the pandemic



Source: ECFR

Excludes Neither Agree nor Disagree and Don't Know

Strongly agree Agree
Strongly disagree Disagree

Conclusion

- Let us return to answer these questions
 - i) how has the EU responded to the pandemic and why? -- initially national but increasingly cooperative with a few steps towards deeper integration.
 - ii) what have been the repercussions of the COVID-19 pandemic crisis for the institutions, policies and politics of the EU? – some repercussions are a rethink of institutions, modes of governance, policies and politics.
 - iii) What theoretical lessons can we draw? -- European integration is still struggling to find the right balance between intergovernmental and supranational tendencies, but the balance may have shifted a bit towards the latter.



Source: SciencesPo

Questions?

- Responses?

- Join our public outreach event
on 9 December 7:00-9:00am PST

<https://www.eui.eu/events?id=544719>

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