GEOFIN Blog #9 - From a pandemic to a global financial meltdown? Preliminary thoughts on the economic consequences of Covid-19 (by Martin Sokol)

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While fighting against Covid-19 continues and saving lives must remain the priority right now, some unavoidable questions are starting to bite: What will be the economic consequences of the pandemic? Are we heading for a wide-spread economic collapse? Is a global financial meltdown coming? In the current fast-evolving situation, with global infections and death toll rising each day, with over half of the planet's workforce under movement restrictions or lockdowns, with economies coming to a halt and financial markets in disarray, it is difficult to predict how this will end. One thing is increasingly clear though: the hope that economic life will quickly return to normal once the health emergency has passed, is fading away. Indeed, even if a vaccine or a magical cure was found tomorrow and the pandemic was somehow successfully brought under control globally, the economic tsunami that has already been unleashed will be difficult to contain, with potentially devastating consequences. Will this unprecedented situation force us to rethink the ways in which our economic and financial systems are organised? My fear is that unless a fundamental paradigm shift is adopted, the coming crisis will further exacerbate social inequalities and deepen economic disparities at multiple geographical scales, while also failing to put us on a sustainable development path.

Unprecedented economic impacts

In terms of the immediate economic impact, it appears that we are entering unchartered waters. While an economic slowdown has been predicted, the speed and severity of the economic collapse in the leading economies have taken many by surprise. An expectation of a quick V-shaped recession (in which a rapid sharp decrease in economic activity would be followed by an equally quick rebound once the health emergency is over) has evaporated[1].
For Nouriel Roubini, one of the economists who predicted the last crisis, the economic contraction we are seeing now is neither V-shaped, U-shaped or even L-shaped (the latter being a sharp downturn followed by stagnation). Rather, he observes, "it looks like an I: a vertical line representing financial markets and the real economy plummeting"[2]. It is still unclear just how deep this free-fall will be. But it is already becoming obvious that the coming economic calamity may be similar or bigger than that caused by the Great Recession/Global Financial Crisis of 2008. Indeed, there are serious warnings that the coronavirus-triggered credit crunch will make the 2008 crisis look like 'child's play'[3]. Kenneth Rogoff, another prominent economist, observes that the 2008 crisis increasingly resembles "a mere dry run for today's economic catastrophe"[4]. Rogoff also contends that the collapse of the global economic output witnessed today "seems likely to rival or exceed that of any recession in the last 150 years". Adam Tooze, meanwhile, suggests that while the last global

[1] E.g. see the views of Angel Gurría, OECD secretary general - https://www.bbc.com/news/business-52000219
[2] Nouriel Roubini, 25/3/2020, The Guardian - https://www.theguardian.com/business/2020/mar/25/coronavirus-pandemic-has-delivered-the-fastest-deepest-economic-shock-in-history
[3] Martin Farrer, 20/3/2020, The Guardian - https://www.theguardian.com/world/2020/mar/20/coronavirus-crisis-could-lead-to-new-credit-crunch-as-companies-struggle-with-debt
[4] Kenneth Rogoff, 8/4/2020, The Guardian - https://www.theguardian.com/business/2020/apr/08/the-2008-financial-crisis-will-be-seen-as-a-dry-run-for-covid-19-cataclysm

economic crisis was a 'financial heart attack', the coronavirus crash might be a 'full-body seizure'[5]. Worries grow that instead of a *recession* (technically defined as two consecutive quarters of falling output) we may be heading for a *depression* – a much more serious, longer-term crisis. Comparisons have already been drawn with the Great Depression of the 1930s. For her part, Kristalina Georgieva, the IMF chief, anticipates "the worst economic fallout since the Great Depression"[6]. Meanwhile, Roubini ('Dr. Doom') is predicting that the current crisis will be greater still. According to him we are heading for a 'Greater Depression'[7].

One of the most striking and visible aspects of this economic calamity is a dramatic increase in unemployment in all major economies. The speed and the size of the labour market collapse seem unprecedented. Within the first three weeks of Covid-19 emergency in the US, 16 million workers were laid off, with the predicted unemployment rate soon reaching 15%[8], breaking post-War and post-Depression records[9]. In the UK, the Institute for Employment Studies estimated that up to 2 million people lost their jobs within the first month of the crisis, with unemployment jumping from 3.9% to 7.5% of the workforce, already surpassing the peak of the last recession[10]. Here in Ireland, the Central Statistics Office estimated that a new COVID-19 Adjusted Measure of Unemployment (which includes those receiving Pandemic Unemployment Payment) was as high as 16.5% in March 2020[11]. These figures are likely to grow, hitting disproportionally low-pay and precarious workers, and driving social inequality to new highs.

Extraordinary policy responses

The realisation that this crisis is threatening the entire economic edifice has been reflected in the policy responses seen so far. Proposals that would 'normally' be considered as unworkable 'loony-left' fantasies, have now been rolled out, with a speed of light, as mainstream policies on both sides of the Atlantic. In the US, the neo-liberal mantra of 'small government' has been swiftly abandoned in favour of the $2.1tn rescue package, the biggest economic stimulus in history. Much of this will of course be used to bail-out failing US corporations, but the US Government is also sending a $1,200 cheque to every adult earning less than $75,000 per year. While this may not be enough, the unprecedented state intervention has already been described as 'pandemic socialism'[12]. In the UK, similarly, a bazooka-style 'whatever-it-takes' approach has been taken. Rishi Sunak, the UK's Chancellor of the Exchequer, took "unprecedented measures for unprecedented times"[13], spending some 7.5% of GDP on coping mechanisms[14]. The rescue package includes a job subsidy scheme through which the state will provide employers with 80% of a worker's wage

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5 Adam Tooze – Foreign Policy – 18 March 2020 - https://foreignpolicy.com/2020/03/18/coronavirus-economic-crash-2008-financial-crisis-worse/

6 https://www.bbc.com/news/business-52236936

7 https://markets.businessinsider.com/news/stocks/coronavirus-could-spark-greater-depression-dr-doom-nouriel-roubini-warns-2020-3-1029027839

8 https://www.theguardian.com/business/2020/apr/09/us-unemployment-filings-coronavirus

9 https://www.bloomberg.com/news/articles/2020-04-10/economists-see-drawn-out-u-s-recovery-after-unemployment-surge

10 https://www.employment-studies.co.uk/resource/getting-back-work-0

11 https://www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentmarch2020/

12 Willem Buiter, 9/4/2020, Project Syndicate - https://www.project-syndicate.org/commentary/covid19-pandemic-requires-socialism-by-willem-h-buiter-1-2020-04

13 https://www.bbc.com/news/business-51982005

14 Philip Inman, 28/3/2020, The Guardian - https://www.theguardian.com/business/2020/mar/28/coronavirus-bailouts-need-to-be-paid-back-or-do-they

up to a limit of £2,500 a month to prevent workers being laid off due to the pandemic[15]. The scheme also extends to the self-employed. It has been noted that the scheme is "more generous than some of the high welfare Scandinavian countries" – a move described as "an incredible intervention for any British government, let alone a Conservative one"[16]. Faced with the pandemic, many other countries have adopted extraordinary, socialist-like policies (e.g. free childcare in Australia) as part of their response.

In addition to such unprecedented fiscal interventions, we are also witnessing a dramatic mobilisation of monetary policy instruments. Indeed, the massive government spending in countries such as the US and UK is being matched by colossal interventions of their central banks. Apart from slashing interest rates, both the Fed and the Bank of England are pumping billions of dollars and pounds into financial markets in order to keep them afloat, while also expanding credit lines to their governments in order to cover their extraordinary expenditure. The money creation programmes of quantitative easing (QE) which helped to contain the Global Financial Crisis have been activated again, on a gargantuan scale. It is likely that, without such decisive actions, financial markets may have already collapsed – demonstrating just how central the central banks really are in sustaining contemporary financialised economies and their 'financial chains' (see **Fig. 1**).

Eurozone convulsions

The economic response of the Eurozone to the pandemic threat did not get off to the best of starts. Christine Lagarde, the European Central Bank (ECB) chief, made an unfortunate comment at a press conference on 12th March about the role of ECB saying "we are not here to close spreads"[17] – referring to the worrying divergence between the borrowing costs of Germany and those of crisis-hit Italy. The press conference was supposed to calm the markets, but achieved the opposite. Lagarde's slip of the tongue sent spreads on Italian bonds sharply higher and caused political outrage[18]. While Lagarde quickly rowed back on her comments, the ECB's commitment to Italy has been questioned[19]. The ECB President's seven words may come down as being the most expensive in history yet. It has been estimated that they could cost Italy €14 billion in interest payments over next ten years – i.e. €2 billion per word![20] Since then, on 18th March, the ECB announced a massive €750bn Pandemic Emergency Purchasing Programme (PEPP) to step up its purchases of sovereign and corporate debt[21]. With other measures already in place this will go some way to help eurozone economies to cushion the impact of the crisis[22].

However, the Lagarde slip-of-the-tongue incident put in sharp focus one of the key weaknesses in the Eurozone architecture: the lack of a common debt instrument – 'eurobonds' – which would allow member states to borrow on the same terms. Eurobonds

[15] Larry Elliott, 20/3/2020, The Guardian - https://www.theguardian.com/business/2020/mar/20/the-third-uk-budget-in-nine-days-and-the-most-crucial
[16] https://www.bbc.com/news/business-51984470
[17] https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200312~f857a21b6c.en.html#qa
[18] https://www.reuters.com/article/us-ecb-policy-italy-minister/italy-furious-at-ecbs-lagarde-not-here-to-close-spreads-comment-idUSKBN20Z3DW
[19] Christopher Marsh, 13/3/2020, The General Theorist - https://thegeneraltheorist.com/2020/03/13/ecb-what-just-happened/
[20] Christopher Marsh, 13/3/2020, The General Theorist - https://thegeneraltheorist.com/2020/03/15/loose-lips-cost-ships-lagardes-language-and-italys-eur14-billion-bill/#more-649
[21] Emma Clancy, 10/4/2020, Tribune - https://tribunemag.co.uk/2020/04/the-eurozones-coronavirus-debt-crisis?fbclid=IwAR3gtIbiDiUGeOv5IoVEuafFuqgyudyu8F6wSmJ0xSjERCFNiYMhgz5E6NU
[22] See also Lagarde's official blog post of 9th April 2020 on 'How the ECB is helping firms and households' https://www.ecb.europa.eu/press/blog/date/2020/html/ecb.blog200409~3aa2815720.en.html . It remains to be seen if these interventions will be enough.

were previously proposed by Greece as a way out of the eurozone sovereign debt crisis in the wake of the Global Financial Crisis (but rejected mostly due to Germany's strong opposition). Now, in the face of the coronavirus pandemic wreaking havoc across Europe, such a eurobond mechanism would make even more sense[23]. The crisis is a perfect opportunity for Europe to demonstrate its usefulness and strength. Economic solidarity is what is needed right now. With this in mind, on 25th March, nine eurozone countries (France, Italy, Spain, Portugal, Ireland, Greece, Luxembourg, Slovenia and Belgium) proposed the so-called 'coronabonds', a position backed by the ECB[24] and reportedly winning support of further five countries (Latvia, Lithuania, Estonia, Cyprus and Slovakia)[25].

Unfortunately, the proposal to create such a common European bond has been strongly opposed by the "frugal four" – Germany, Holland, Austria and Finland. Their position is, of course, self-defeating. A failure to agree on mutualised European bonds could rip the Eurozone apart[26] [27] [28]. As the Spanish foreign minister Arancha González poignantly put it: "We are in this EU boat together. We hit an unexpected iceberg. We all share the same risk. No time for discussions about first- and second-class tickets … History will hold us responsible for what we do now" [29].

Unfortunately, such pleas have largely fallen on deaf German and Dutch ears. The EU's economic response to Covid-19 thus for now basically mirrors the fragmented and uncoordinated response to the health emergency itself (which included a collapse of a common travel area due to widespread unilateral closures of internal EU borders by individual member states). Without 'coronabonds', each EU member state is left on its own devices when it comes to borrowing money to fight the pandemic's economic fallout. However, to use the above metaphor, some countries hold first-class and other countries second-class rescue tickets – duly reflecting the uneven economic geography of Europe. This uneven geography is likely to be further exacerbated by the pandemic. It is unclear at this time which rescue boat Ireland will be in.

Economic geography of pandemic Europe

The first-class and second-class tickets in Europe are traditionally distributed along a long-established division line between the economic 'core' and the 'periphery', or geographically speaking, between Europe's north and south. This, of course, is an oversimplification of a rather more complex economic geography of Europe (e.g. see Sokol, 2001). But the fact

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[23] See also Adam Tooze's opinion piece here https://www.ft.com/content/d7d08772-7583-11ea-95fe-fcd274e920ca?segmentid=acee4131-99c2-09d3-a635-873e61754ec6

[24] Emma Clancy, 10/4/2020, Tribune - https://tribunemag.co.uk/2020/04/the-eurozones-coronavirus-debt-crisis?fbclid=IwAR3gtIbiDiUGeOv5IoVEuafFuqgyudyu8F6wSmJ0xSjERCFNiYMhgz5E6NU

[25] David Adler and Jerome Roos, 31/3/2020, The Guardian - https://www.theguardian.com/world/commentisfree/2020/mar/31/solidarity-members-eurozone-coronavirus-dutch-coronabond

[26] Adam Tooze and Moritz Schularick, 25/3/2020, The Guardian - https://www.theguardian.com/commentisfree/2020/mar/25/shock-coronavirus-split-europe-nations-share-burden?CMP=share_btn_tw

[27] David Adler and Jerome Roos, 31/3/2020, The Guardian - https://www.theguardian.com/world/commentisfree/2020/mar/31/solidarity-members-eurozone-coronavirus-dutch-coronabond

[28] See also an excellent analysis by Emma Clancy https://tribunemag.co.uk/2020/04/the-eurozones-coronavirus-debt-crisis?fbclid=IwAR3gtIbiDiUGeOv5IoVEuafFuqgyudyu8F6wSmJ0xSjERCFNiYMhgz5E6NU

[29] David Adler and Jerome Roos, 31/3/2020, The Guardian - https://www.theguardian.com/world/commentisfree/2020/mar/31/solidarity-members-eurozone-coronavirus-dutch-coronabond

remains that there are significant economic differences between the core (e.g. Germany) and southern periphery (Portugal, Spain, Italy, Greece). Unfortunately, decades of European integration have not managed to eradicate these differences. The Global Financial Crisis of 2008 and the subsequent sovereign debt crisis in Europe have brutally exposed, and further deepened, the north-south divide. EU-imposed austerity may have stabilised the eurozone as a whole, but left the southern periphery weaker and more vulnerable.

In 2019, Germany's output was 16% higher than in 2007, while Italian GDP was still 4% lower[30]. Italy, having gone through three recessions since the 2008 Global Financial Crisis[31], is also shouldering the largest sovereign debt load in Europe (and the fourth largest in the world)[32]. The Italian banking sector also happens to among the most fragile in Europe – overburdened by non-performing loans and heavily exposed to the Italian government's debt[33]. As Jerome Roos notes, it is a "cruel irony" that Italy has also been the most heavily affected by the pandemic[34]. The economic consequences for Spain, in turn also heavily hit by Covid-19, will be dire too. Unemployment in Spain was already 14% before the pandemic (second highest in the EU after Greece and contrast with Germany's 3.2%) and Spanish joblessness rate is likely to increase significantly, perhaps to over 20% (while German unemployment is expected to peak at 6%)[35]. Indeed, the economic and employment structure of the southern periphery makes it extremely vulnerable to the current crisis. Tourism accounts for a significant proportion of employment in Greece (over 25%), Portugal (over 20%) as well as Italy and Spain (nearly 15%), yet this is the sector that is taking a massive hit. The southern periphery is also more dependent on small businesses which may have a harder time surviving the crisis or taking advantage of any employment protection schemes[36]. It is not surprising that, in the absence of any significant EU support, the outlook for Southern Europe is bleak. One prediction is that the eurozone's overall GDP will fall by about 10% in 2020 – with Germany performing a little better than average and recovering moderately in 2021, while Italy's and Spain's GDP will fall more than average and recover less[37]. Thus, the uneven economic impact of the crisis combined with the uneven recovery, playing out on an already uneven terrain, could mean that the pandemic will drive the north-south divide to new levels.

In the absence of a strong supporting mechanism, such as the 'coronabonds' discussed above, this can lead to unpredictable outcomes. Indeed, the trouble, according to Wolfgang Münchau, is that Italy's falling GDP combined with rising debt could push its debt-to-GDP ratio from the current 135% to between 160% and 180%, in turn raising doubts about Italy's solvency and potentially leading to a default[38]. A similar scenario has been described by Yanis Varoufakis, highlighting an "impossible conundrum" for countries such as Italy, being hardest hit by the pandemic, yet "being the most indebted and thus the least able to shoulder

[30] Adam Tooze and Moritz Schularick, 25/3/2020, The Guardian - https://www.theguardian.com/commentisfree/2020/mar/25/shock-coronavirus-split-europe-nations-share-burden?CMP=share_btn_tw

[31] Hung Tran, 10/3/2020, Financial Times - https://www.ft.com/content/0cc94fb6-8b35-427d-9f98-dc727303ebbf

[32] Jerome Roos, 22/3/2020, Tribune - https://tribunemag.co.uk/2020/03/the-coming-debt-deluge

[33] Jerome Roos, 22/3/2020, Tribune - https://tribunemag.co.uk/2020/03/the-coming-debt-deluge

[34] Jerome Roos, 22/3/2020, Tribune - https://tribunemag.co.uk/2020/03/the-coming-debt-deluge

[35] Martin Arnold and Daniel Dombey, 12/4/2020, Financial Times - https://www.ft.com/content/ff31b665-22e7-4439-817f-75477bc77082

[36] Martin Arnold and Daniel Dombey, 12/4/2020, Financial Times - https://www.ft.com/content/ff31b665-22e7-4439-817f-75477bc77082

[37] By Wolfgang Münchau, 12/4/2020, Financial Times - https://www.ft.com/content/ddb02110-7b24-11ea-af44-daa3def9ae03

[38] Wolfgang Münchau, 12/4/2020, Financial Times - https://www.ft.com/content/ddb02110-7b24-11ea-af44-daa3def9ae03

the necessary new debt". In this instance "the new debt needed to revive the private sector will push the state into default, so destroying the banks whose capital is mostly government debt and, in short order, the rest of the private sector"[39]. Such a scenario highlights the way in which key economic actors (in this case the state, banks and firms) are interlinked by 'financial chains' (Sokol, 2017a). One could add that the vulnerability of the system will be further underlined by a direct transmission mechanism between firms, households, and banks, as soon as both firms and households start defaulting on their debts[40]. As Willem Buiter observed, "[b]anks and non-bank financial intermediaries did not start the crisis this time, but they will inevitably become a part of it"[41]. It is likely that the pressure on banks in the southern periphery will be enormous. And, during a crisis, as Emma Clancy rightly argues, "capital flees to the 'safe' countries' banks". Inside the eurozone, she observes, "the trend has been for capital flight from banks in the periphery to the core, particularly Germany"[42]. This may mean that German banks will benefit at the expense of their southern European counterparts, further exacerbating the problem while highlighting the international dimension of 'financial chains' and their contribution to uneven economic geographies. However, there is only so much economic inequality that a single currency area can take. A sovereign debt default by Italy or any other country in the southern periphery could rip the eurozone, and the EU, apart. Such a grim scenario is of crucial concern to EU member states in the 'eastern' periphery of Europe.

East-Central European dimension

It is worth remembering that one of the key reasons post-socialist countries in East-Central Europe were keen to join the EU was to help them to catch-up economically with their Western European counterparts. Closing the economic gap between the 'West' and the 'East', however, has been proving challenging. Deep 'transition' recessions in the early 1990s that followed the collapse of state-socialism have meant that the economic divide between the Western and Eastern halves of Europe has actually grown larger, as have differences within the East itself. Through the combination of old historical legacies and uneven effects of transformation processes, Central and Eastern Europe has established itself as a 'super-periphery' of Europe while itself displaying increasing divergence of economic fortunes (e.g. see Sokol, 2001). From the 'varieties of capitalism' perspective, the economies of East-Central Europe (ECE) have been described as 'dependent market economies' (Nölke and Vliegenthart, 2009) – their productive capacity became dominated by Western European FDI and their financial systems became heavily dependent on Western European banking groups. The economic fortunes of the entire region have thus became inextricably linked to those of Western Europe. In the early 2000s this dependence helped to foster a remarkable economic revival and rapid catching-up of many ECE countries. Part of this boom was related to increasing financialisation, not least through the Western banks that were instrumental in rapidly expanding credit across the region, on the back of newly created 'financial chains' (Sokol, 2017b). The effects of the credit boom seemed like a fast-track upgrade from third-class to first-class.

However, for many people and places, all this came to a rather abrupt end when the Global Financial Crisis hit in 2008. The economic damage caused by the crisis was enormous (e.g.

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39 Yanis Varoufakis, 11/4/2020, The Guardian - https://www.theguardian.com/world/commentisfree/2020/apr/11/eu-coronavirus-relief-deal-enemies-debt-eurozone
40 See also Katharina Pistor - https://www.theguardian.com/commentisfree/2020/mar/18/debt-relief-coronavirus-crash
41 Willem Buiter, 9/4/2020, Project Syndicate - https://www.project-syndicate.org/commentary/covid19-pandemic-requires-socialism-by-willem-h-buiter-1-2020-04
42 Emma Clancy, 10/4/2020, Tribune - https://tribunemag.co.uk/2020/04/the-eurozones-coronavirus-debt-crisis?fbclid=IwAR3gtIbiDiUGeOv5IoVEuafFuqgyudyu8F6wSmJ0xSjERCFNiYMhgz5E6NU

see Smith and Swain, 2010), in many cases wiping out any gains made in the previous decade. The impacts, however, were unevenly distributed, as was the recovery. Poland, for example, emerged as the only country in the entire European Union to avoid a recession, while Baltic countries experienced deep falls and took nearly a decade to get back to pre-crisis level (e.g. see Pataccini and Eamets, 2019; Pataccini, 2020). For many ECE countries, even the best performing ones, the prospects of fully converging to GDP levels of Western Europe appear as distant as ever. In parts of the region, the disillusionment with the European project have grown.

The coronavirus-induced crisis will be the third major economic calamity in as many decades and perhaps the biggest yet. Indeed, the impact could be explosive – both economically and politically. Economically, the crisis will be playing out on an already uneven economic terrain and is likely to have uneven impacts. The exact contours are hard to predict at this time – but much will depend on the way in which economic and financial links with Western Europe will unfold. The exposure of ECE economies is both to the northern core (e.g. German automotive industry) as it is to the southern periphery (e.g. Italian banking). It remains to be seen in what ways the existing 'financial chains' will survive, be disrupted, transformed and/or replaced. One way or another, the crisis is likely to exacerbate some existing inequalities while also creating new ones – both between and within countries. Indeed, social inequalities and regional disparities within ECE countries are likely to get worse.

Crucially, many ECE states may find it harder than Italy or Spain to borrow money to fund their recovery, let alone to worry about social inequality or regional disparities. Major economic upheaval in the 'eastern' periphery which would further increase disparities between the East and West could, in turn, put additional strain on the European integration project. Centrifugal tendencies and Euro-sceptic sentiments (already well entrenched in Poland and Hungary, for example) may grow. Without a comprehensive European approach to tackling the fallout of Covid-19, the future of Europe will be at stake. 'Left-behind places' have a proven ability to deliver crushing blows to even the most honourable causes. After Brexit, can the EU afford Huxit, Polend or Czechout? It is useful to remember that economic dependencies usually run both ways: a core needs a periphery as much as the periphery needs the core.

Beyond Europe

A big concern here is that if Europe itself is incapable of finding a common ground in dealing with this unprecedented emergency, there is little hope that a consensus will be found at a global level. This is extremely bad news because while the economic impact of the pandemic on the advanced economies of the Global North is likely to be massive, the impacts on the Global South will be catastrophic. Indeed, emerging and developing economies have a much weaker capacity to deal with either the health crisis or the economic one. The twin crises will most likely feed off each other, with devastating impacts. Meanwhile, as workers everywhere are being asked to stay put, capital has been moving freely around the globe – mostly from the Global South to the Global North – rapidly abandoning the sinking ship in a capital flight of unprecedented scale. This will sink developing economies ever faster. The financial outflows will trigger a range of knock-on effects. Worries grow that a global 'debt deluge' may be unavoidable[43] [44]. There is a high risk that many indebted countries in the Global South will simply not be able to repay their debts. This, combined with a word-wide pile of corporate debt that has accumulated since the last crisis but now may be defaulted on, will threaten the stability of the global financial system. A

[43] Jayati Ghosh, 19/3/2020, Social Europe - https://www.socialeurope.eu/the-covid-19-debt-deluge
[44] Jerome Roos, 22/3/2020, Tribune - https://tribunemag.co.uk/2020/03/the-coming-debt-deluge

financial meltdown cannot be ruled out. Finance may not be where this crisis started, but it may be where it will end.

Concluding remarks

Will this force us to rethink the ways in which our economic and financial systems are organised? The post-pandemic instinct of policy-makers will be to try to return to 'normal' as soon as possible. But going back to 'normal' will mean continuing an economic and financial system that creates grotesque inequalities (both social and spatial) and that is bringing us ever closer to environmental collapse. Returning from the Covid-19 emergency back to 'normal' would be returning straight to global climate emergency. If there is one positive thing about the pandemic, it is that it showed that governments can take brave decisions and adopt measures that would previously have been unthinkable. We need to find new ways of organising our societies – societies where 'the economy' is not at odds with humanity and the environment. As Nelson Mandela would remind us, "it always seems impossible until it is done".

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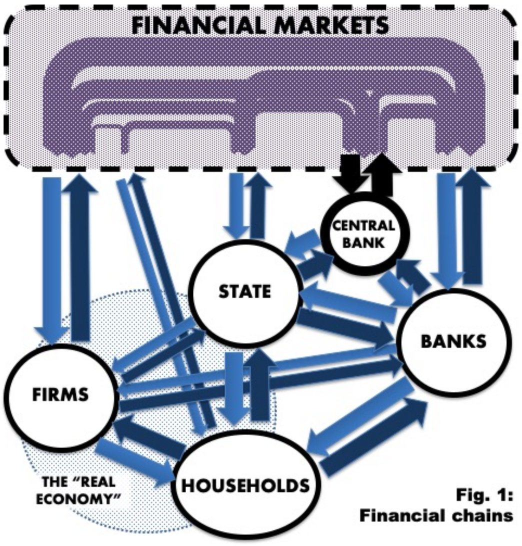
Fig. 1. Financial chains in a financialised economy



Source: Adapted from Sokol, 2019

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