



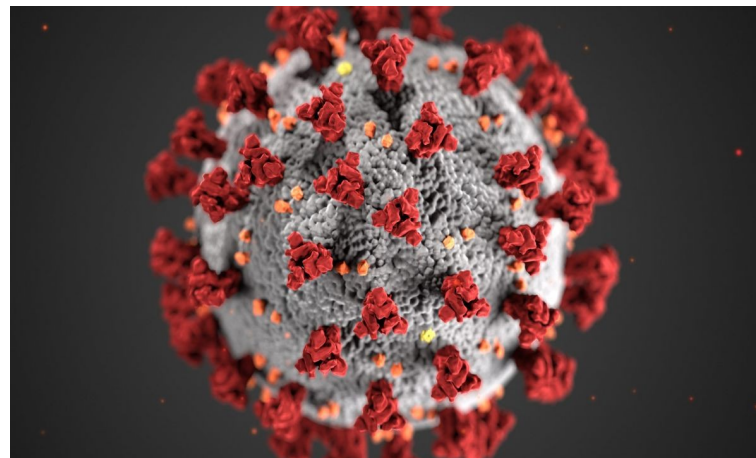
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# ***A few thoughts on a post-Covid19 European Union***

***Dr David Rees***



## **Introduction**

***The Covid19 crisis is social, economic and political. It has created a shock to the system, as did the 2008 Sub-primes Crisis.***

***How will the EU institutions, national governments and European people react once the virus has run its course?***

***Will we see another Neo-Liberal reaction to the shock (See [Naomi Klein. The Shock Doctrine](#)) as we have seen with the post-subprimes crisis resulting in a European austerity programme, greater inequality, and a European predatory model as the rich countries benefit at the expense of the poorer countries? Who will pay the debt? Will the EU change direction to invest in society and a green economy?***



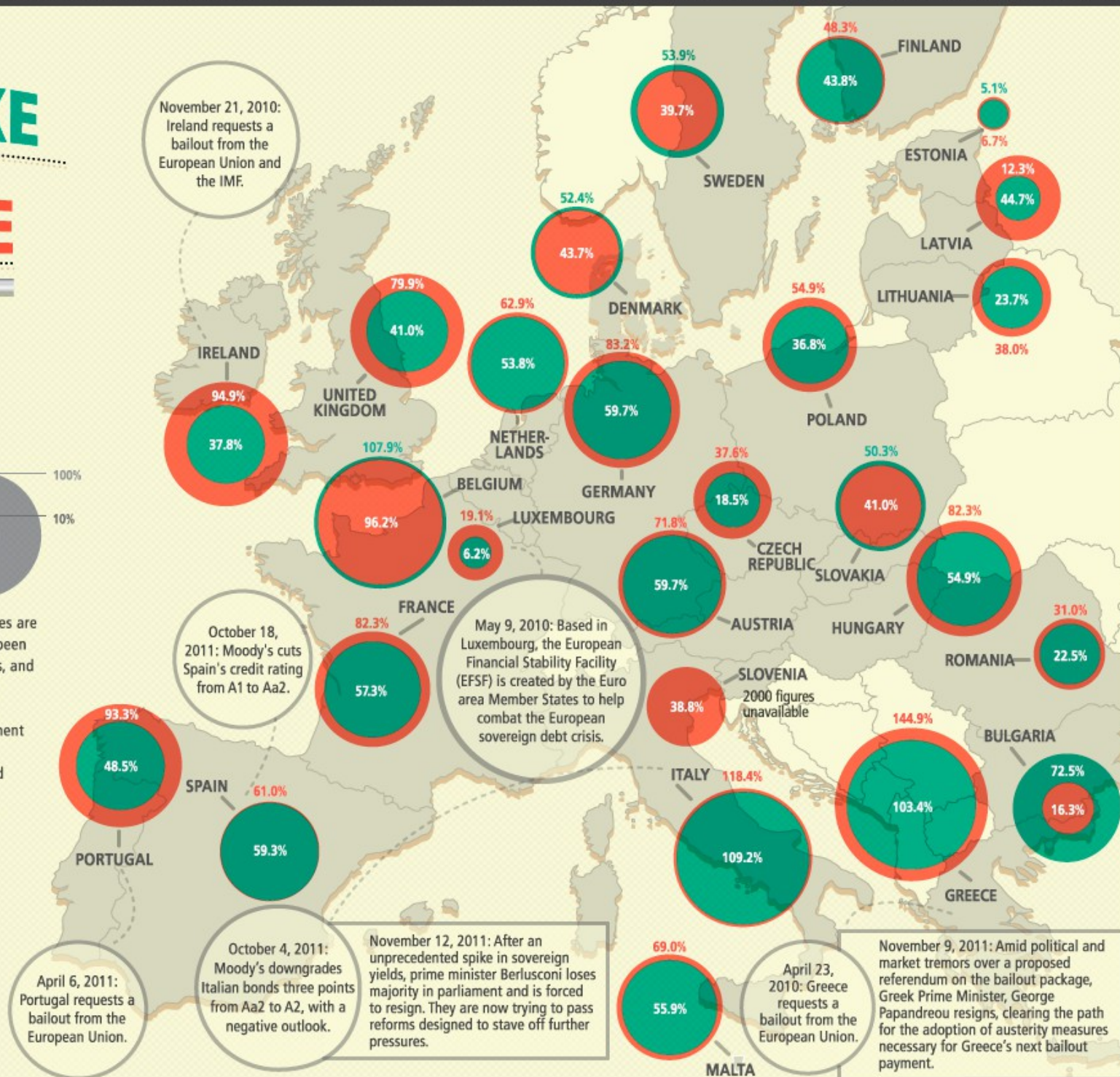
# THE DEBT QUAKE IN THE EUROZONE

## KEY

Public Debt as a Percentage of GDP:



As the global economy continues to falter, all eyes are fixed on the European Union nations who have been rocked by credit downgrades, bailout discussions, and austerity measures. The recent events have even forced the resignation of the prime ministers of Greece and Italy. Here we examine how government debt as a percentage of GDP, an indicator of a nation's current economic fortitude, has changed from 2000 to 2010 for all 27 European Union countries, including the 17 within the Eurozone.



November 21, 2010: Ireland requests a bailout from the European Union and the IMF.

October 18, 2011: Moody's cuts Spain's credit rating from A1 to Aa2.

May 9, 2010: Based in Luxembourg, the European Financial Stability Facility (EFSF) is created by the Euro area Member States to help combat the European sovereign debt crisis.

April 6, 2011: Portugal requests a bailout from the European Union.

October 4, 2011: Moody's downgrades Italian bonds three points from Aa2 to A2, with a negative outlook.

November 12, 2011: After an unprecedented spike in sovereign yields, prime minister Berlusconi loses majority in parliament and is forced to resign. They are now trying to pass reforms designed to stave off further pressures.

April 23, 2010: Greece requests a bailout from the European Union.

November 9, 2011: Amid political and market tremors over a proposed referendum on the bailout package, Greek Prime Minister, George Papandreou resigns, clearing the path for the adoption of austerity measures necessary for Greece's next bailout payment.



# **Economic Consequences of Covid19**

**Examples of government debt before and after the  
2008 sub-primes crisis (Stability Pact limit 60%)**

|                | <i>Public debt<br/>2007</i> | <i>Public debt<br/>2012</i> | <i>Public debt<br/>2017</i> | <i>Public debt<br/>2020<br/>(estimated)</i> |
|----------------|-----------------------------|-----------------------------|-----------------------------|---|
| <b>France</b>  | 65%                         | 96%                         | 98%                         | 115%<br><i>(Prime Minister)</i>             |
| <b>Germany</b> | 64%                         | 81%                         | 65%                         | 80<br><i>(Trading<br/>Economics)</i>        |
| <b>Greece</b>  | 102%                        | 160%                        | 176%                        | 183%<br><i>(Trading<br/>Economics)</i>      |

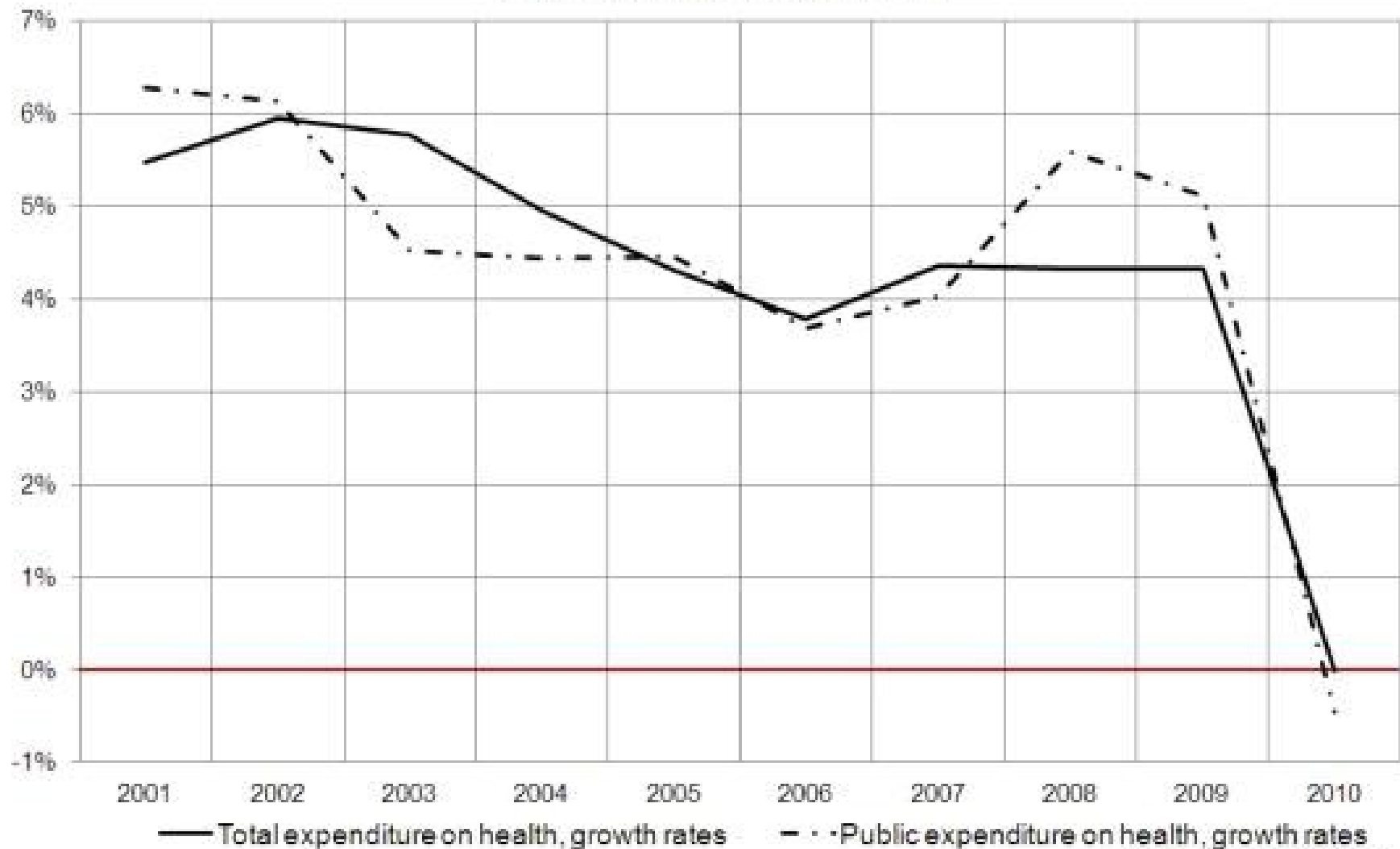
**Debt as % of GDP. Source: Trading Economics**

***With growth falling from weak pre-Covid19 rates (France 0.8%, Germany 0.4%, Greece -0.7%), the current economic contraction will mean:***

- ***Higher expenses in debt servicing***
- ***Higher expenses in Social Security***
- ***Higher unemployment***
- ***Lower tax revenues***

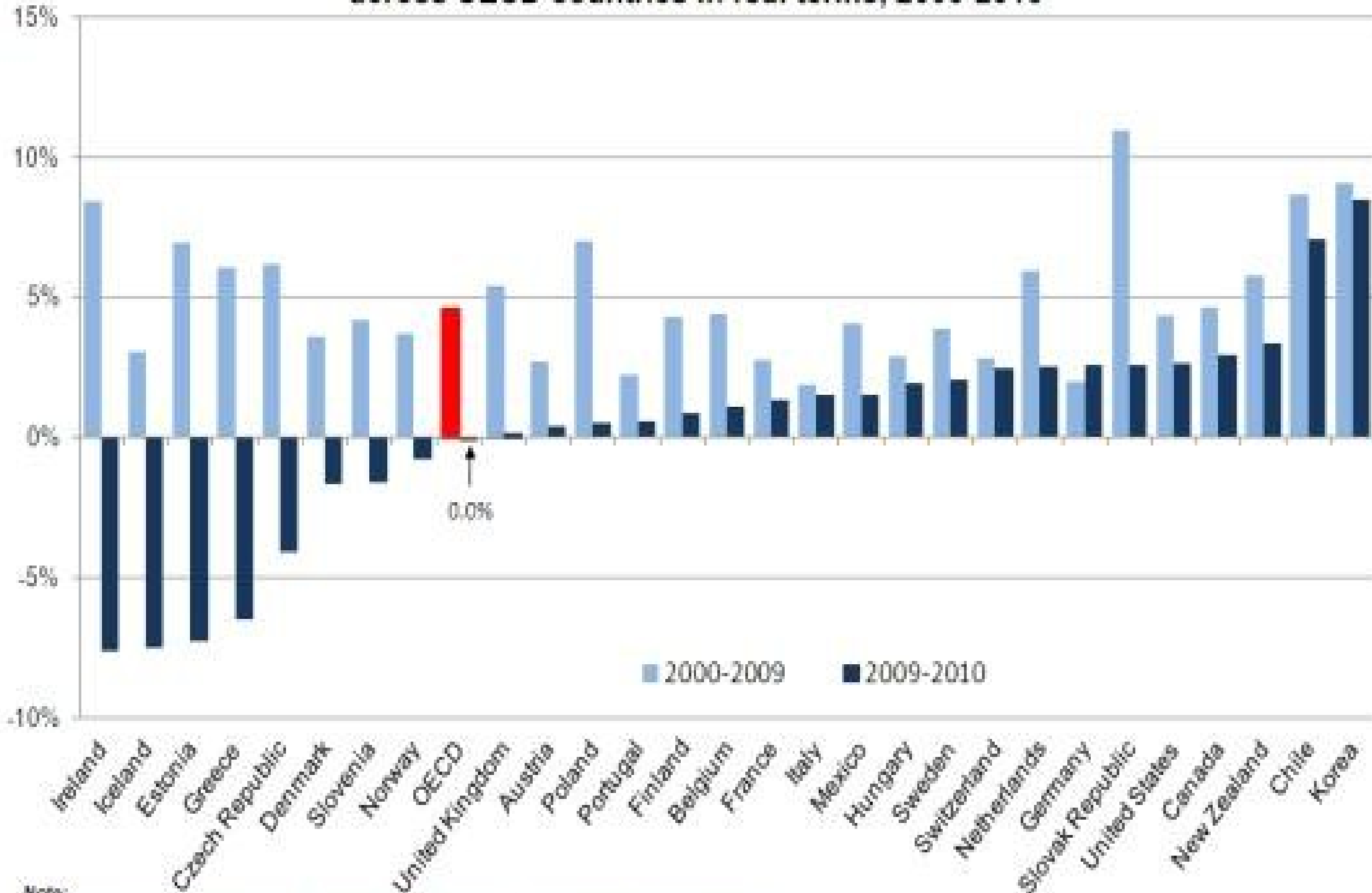
# Pre-Covid 19 decline in Public Health Expenditure

Figure 1. Average OECD health expenditure growth rates in real terms, 2000 to 2010, public and total



Source: OECD Health Data 2012

**Figure 2. Average annual growth in health spending across OECD countries in real terms, 2000-2010**



**Note:**  
 Growth rates for 2009/10 are not available for Australia, Japan, Luxembourg, Israel, Spain and Turkey.  
 Growth rates for Chile calculated using the Consumer Price Index (CPI).

Source: OECD Health Data 2012



# ***Hospital beds available per 1,000 inhabitants***

*Data : OECD and World Bank*

|                              | <b>1980</b>        | <b>2018</b>                              |
|------------------------------|--------------------|--|
| <b><i>France</i></b>         | <b>11</b>          | <b>6.0</b><br><b>21,000 Covid deaths</b> |
| <b><i>Germany</i></b>        | <b>10.4 (1990)</b> | <b>8.0</b><br><b>5,300 Covid deaths</b>  |
| <b><i>United Kingdom</i></b> | <b>6</b>           | <b>2.5</b><br><b>18,000 Covid deaths</b> |
| <b><i>Italy</i></b>          | <b>9.6</b>         | <b>3.2</b><br><b>25,000 Covid deaths</b> |



## Where to next?

***This reminds me of the 1929 Wall Street Crash and the Great Depression. In 1932 the American people had a choice between a Hoover 'Austerity Plan', or Roosevelt's 'New Deal' . Fortunately, they chose the latter. After the 2008 Sub-primes crisis, many politicians called for a New Green Deal for Europe. We got a German-led austerity plan.***

***To quote from the European political party [DiEM25](#):***

***"DiEM25's prediction that Europe would either be democratised or disintegrate is more relevant than ever: that is why our reaction to the COVID-19 crisis has been to say clearly and unequivocally to Europe: Unify or Die."***

***Without wanting to over-politicise the issue, I have not found a better simple solution than that suggested by DiEM25's 3-plan:***

- ***1. Issue €1 trillion ECB Eurobonds***
- ***2. Inject a €2,000 European Solidarity Cash Payment***
- ***3. Introduce a European Green Recovery and Investment Programme.***

***If we allow the unelected, undemocratic and secretive Eurogroup to decide what happens, then the EU is probably going to fail, as once more the Covid19 Shock will lead to more austerity, greater inequality, and greater intra-Eurozone predation and debt control.***

***If only, like the Americans in 1932, the EU would allow us to choose our destiny!***

- ***Dr David Rees. Video commentary available on [Reeseconomics.eu](https://reeseconomics.eu). European Economics / lesson 14***