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What type of crisis is this? The coronavirus crisis as a crisis of the economicised society

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WORKING PAPERS

Walter Otto Ötsch

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The Coronavirus Crisis as a Crisis of the Economicised Society

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What Type of Crisis is This?

The Coronavirus Crisis as a Crisis of the Economicised Society*

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April 2020

Abstract

The paper addresses the following questions: what type of crisis is this? How can we put the events together in our minds so that we have a coherent, complete picture of the crisis? How can we put this crisis in its historical context and what are the consequences for the future of our society?

The paper consists of three parts: (1) a background to the crisis, esp. economic facts, (2) an interpretation of the crisis and (3) an outlook to the future and potential scenarios for how society will react to the crisis.

Keywords: Corona crisis, scenarions, society, Neoliberalism, market fundamentalism

JEL categories: A11, B25, E65, F02, F60, H10, I18, N01, P16, Z13

* Lecture at the topical lecture serie of Cusanus Hochschule für Gesellschaftsgestaltung *The Political Economy of the Corona Crisis*, held on 9 April 2020.

Introduction

This paper focusses on the current crisis that has overwhelmed us for several weeks already. Every day brings new developments that were unimaginable as recently as February. Schools are now closed, public spaces are empty, travelling abroad is forbidden and parts of the economy are at a standstill. Governments across the globe are bidding to outdo each other with their rescue packages, the scale of which has never been seen before in the history of capitalism. We do not know what tomorrow will bring and how long the crisis will last.

In this paper, I aim to provide you with suggestions and will address the following questions: what type of crisis is this? How can we put the events together in our minds so that we have a coherent, complete picture of the crisis? How can we put this crisis in its historical context and what are the consequences for the future of our society?

My paper consists of three parts. We begin with a background to the crisis and consider the facts, some of which you will be familiar with. I will then offer you an interpretation of the crisis and end by looking to the future and potential scenarios for how society will react to the crisis.

1. Facts and background

Let us begin with a summary of the facts, split up into five key areas:

1. Global health issues
2. What has been the political response to the pandemic across the world?
3. What effects have we already seen on the financial markets and how have the major monetary institutions, especially the central banks, reacted to these developments so far?
4. What consequences has the crisis already had for the real economy, for economic growth and, above all, for employment, and how may these areas be affected in the coming months?
5. Finally, what fiscal measures, the so-called "rescue packages", have been put together to date?

1.1 Global health issues

Figure 1 shows the extent of the pandemic as of April 2, 2020. The figures are from John Hopkins University and show that we are approaching 1,000,000 confirmed infections and 50,000 deaths. The map also shows that, so far, it is predominantly countries in the northern hemisphere that have been affected. This is mainly due to the way in which the infection is transmitted and the time of year. We have relatively exact information as to how the disease has spread from country to country. The disease was detected in Wuhan,

the capital of China's Hubei province, at the end of December 2019. It then spread within China, mainly due to hundreds of millions of people returning home to their parents to celebrate New Year, and then quickly spread to neighbouring countries, the USA and Europe.

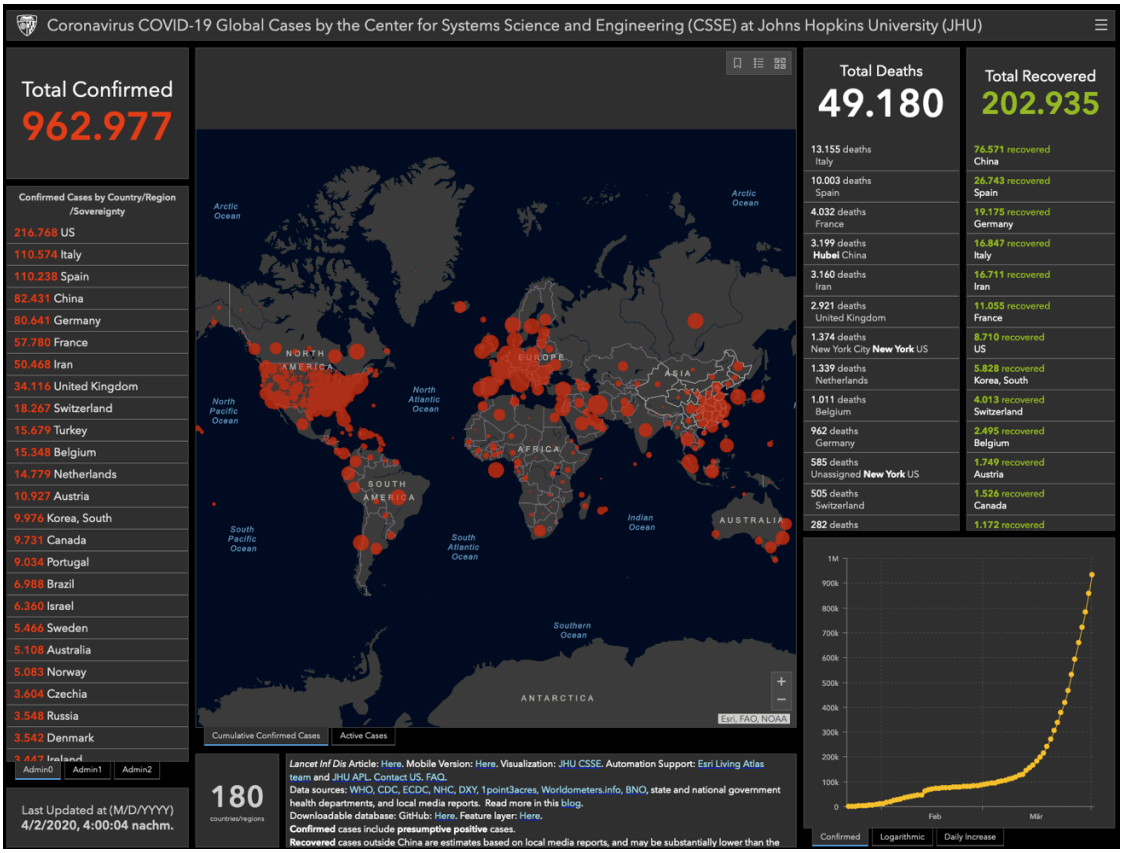

Figure 1: The coronavirus pandemic showing global cases as of April 2, 2020

For historians, there are interesting parallels with the Black Death, which raged across Europe in the middle of the 14th century. This pandemic also originated in the Chinese province of Hubei, where it was first detected in 1320. At that time, it took 25 years for the plague to spread to Europe, which it did via ships and the Silk Road. The plague peaked in Europe from 1348-1351 and killed around one third of the population. In today's globally networked society, it often only takes a few days for a virus to spread across the world. By the end of January, the disease had already reached the USA. Every month, 900 people from Wuhan arrived in New York alone and air travel was not stopped until it was far too late – over 15,000 people still travelled from Wuhan to Bangkok alone. By the end of January, over 30 cities in 26 countries were infected. The carriers of the disease were managers, politicians, businessmen and women, and tourists; simply put, the rich of this world. Furthermore, the disease was also carried by Chinese workers who, as in the case of Italy, work in the textile factories of the rich north.[1] The prevailing temperatures could be another reason for the spread of the disease. COVID-19 is probably seasonal and spreads more quickly at temperatures between 10 °C and 15 °C. If this is the case, the pandemic could move south in the summer and affect Africa in particular – only to return to Europe in a new wave in autumn or winter. Whatever the reason, we can expect several waves to reach us one after the other. The Spanish flu hit the world in four major waves. The flu spread throughout the world from March 1918 to March 2020, affecting one third of the

1 Cf. https://www.nytimes.com/interactive/2020/03/22/world/coronavirus-spread.html

world's population and killing between 50 and 100 million people, which amounted to 2.5 to 5% of the world's population at the time. Figure 2 shows the second global wave from August to November 1918. The dark areas indicate the highest death rates, with examples from cities with particularly high death rates.

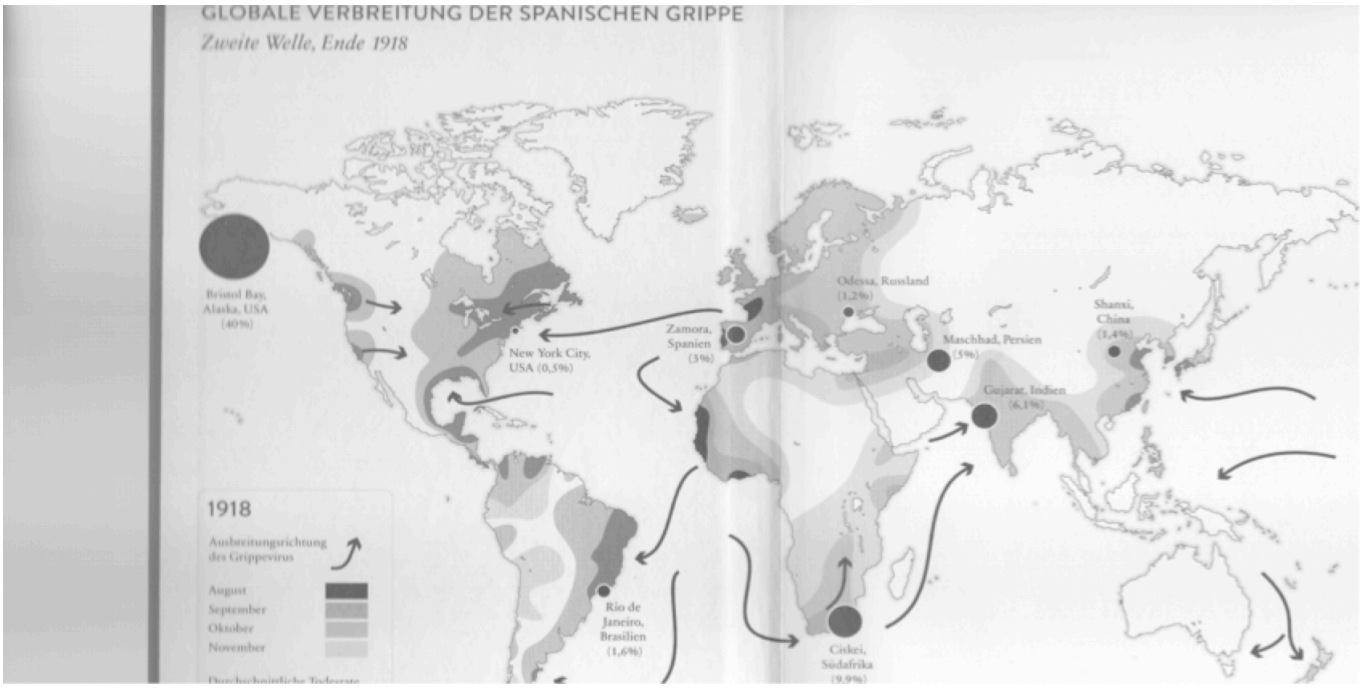

Figure 2: The second global wave of the Spanish flu[2]

We still have very little medical knowledge of the pandemic, the virus and the disease. There is, as you know, no vaccine and no effective medication. No country in the world knows how many people have already been infected. Perhaps you and I, perhaps we have already had and overcome the disease and do not know it. We also do not know which path around the world COVID-19 will take, which waves of the disease we should expect and when its spectre will stop haunting us – that could take years.

1.2 Political reactions

In this situation, the decision-makers and experts in every country are faced with the difficult question of how to react to a largely unknown situation – and quickly, so that a perhaps even greater disaster can be avoided. There are a good dozen strategies, each with its own advantages and disadvantages. In many countries, the strategy pursued (at different speeds and to different degrees) is to take the sting out of the first wave of infection; that is, to delay the spread of the disease, which affects the lungs, by restricting physical contact between people. Most countries have shut down air traffic, closed borders, banned major events and closed many shops and businesses. The vast majority of schools and universities have closed their buildings, affecting 90% of the 1.5 billion children and young people in the education sector.[3] As of the beginning of April, almost half of the world's population is subject to at least a partial lockdown. Most recently,

2 Source: Spinney *1918*. For a comparison of the Spanish flu with the coronavirus pandemic see Mediavilla 2020.
3 Cf. https://en.unesco.org/covid19/educationresponse (as of 02.04.2020)

India's government introduced measures limiting the movement of its 1.3 billion citizens. A lockdown is also in force in large parts of the USA.[4]

1.3 Financial markets

I now come to the situation facing the financial markets. How did the stock markets react? First and foremost, it should be noted that the situation on the financial markets was anything but normal before the outbreak of the coronavirus pandemic. One indicator of this is the balance sheet of the US Federal Reserve System, or the Fed for short. America's central banking system is the most powerful in the world and Wall Street is, alongside the City of London, still the most important banking centre in the world. Most of the world's major financial institutions are still based in the USA. The American currency is still the world's reserve currency: important stock exchanges, important goods (especially oil), important securities (such as US government securities) and many financial operations (such as major IPOs) are carried out in the dollar area. Over 60 percent of foreign bank reserves and about 40 percent of the world's total financial debt is held in US dollars.

The Fed sees itself as the manager of a global dollar empire. It organises the financial basis of the American Empire, which replaced the British Empire after World War II and which, despite all the challenges it has faced and continues to face, is still in power. To put it simply, when the Fed expands its balance sheet, it is usually a sign that stress has occurred in global financial capitalism and that this stress could threaten the entire system. Let us take a look at 2008, when an event of such magnitude occurred. From September to December 2008, the Fed more than doubled its balance sheet to over $2 trillion, thereby rescuing global financial capitalism, which was on the verge of collapse. One trillion is – I learned this in 2008 – a thousand billion, an unimaginably large sum, and the scale in Figure 3 shows trillions. The actual sums that the Fed spent to save the financial system after 2008 are much higher, meaning that many additional trillions do not appear on the balance sheet. The visible part of this huge program is called quantitative easing (QE). The blue line in Figure 3 shows three waves since the great financial crisis of 2007/2008. Essentially, the central bank buys up securities, including government bonds, on a large scale. This means that direct state financing is de facto partially carried out by the central bank in the USA. Here, the Fed acts in a pragmatic and power-oriented manner. The QE programmes give the 21 major banks with which the Fed does business more liquidity, which should then spread in a chain to other banks and ultimately to the entire global financial system. There are similar programmes and similar curves for the other major central banks, such as the Bank of England, the Swiss and Japanese central banks, as well as the European Central Bank in Frankfurt. The entire program was designed to support the economy, but many countries have experienced a decade of low growth since 2009. All this has, to a large extent, fueled the stock market surge, shown in the graph for the S&P 500 in Figure 4 (this index includes 500 leading companies and covers approximately 80% of available market capitalization in U.S.). This has led to greater concentration and competition in the banking sector and greater inequality in the distribution of financial wealth.

From 2018, we see a flattening of the Federal Reserve assets (caused by a "normalization program"), before the curve began to rise steeply again in August 2019. This rise points to a new potential for stress that existed before the coronavirus crisis and concerns the innermost functioning of the financial system in a worrying manner, namely the way in

4 Cf. the picture at https://www.dailymail.co.uk/news/article-8150501/Map-shows-worlds-population-coronavirus-lockdown.html

which banks balance liquidity among themselves (the so-called interbank market), which is dependent on the permanent provision of short-term funds. Since autumn 2019, the Fed has had to rescue the financial system again in a way that is reminiscent of the situation in autumn 2008 (some call it QE 4). The coronavirus shock has then been added to this stress. The Fed has again reacted with similar programs, as the almost vertical line on the far right shows. Financial assets held in dollars must now be liquidated. There is a huge demand for dollars and the Fed has to satisfy that demand to the greatest extent it can. The future of this global financial system is uncertain given the coming economic crisis.

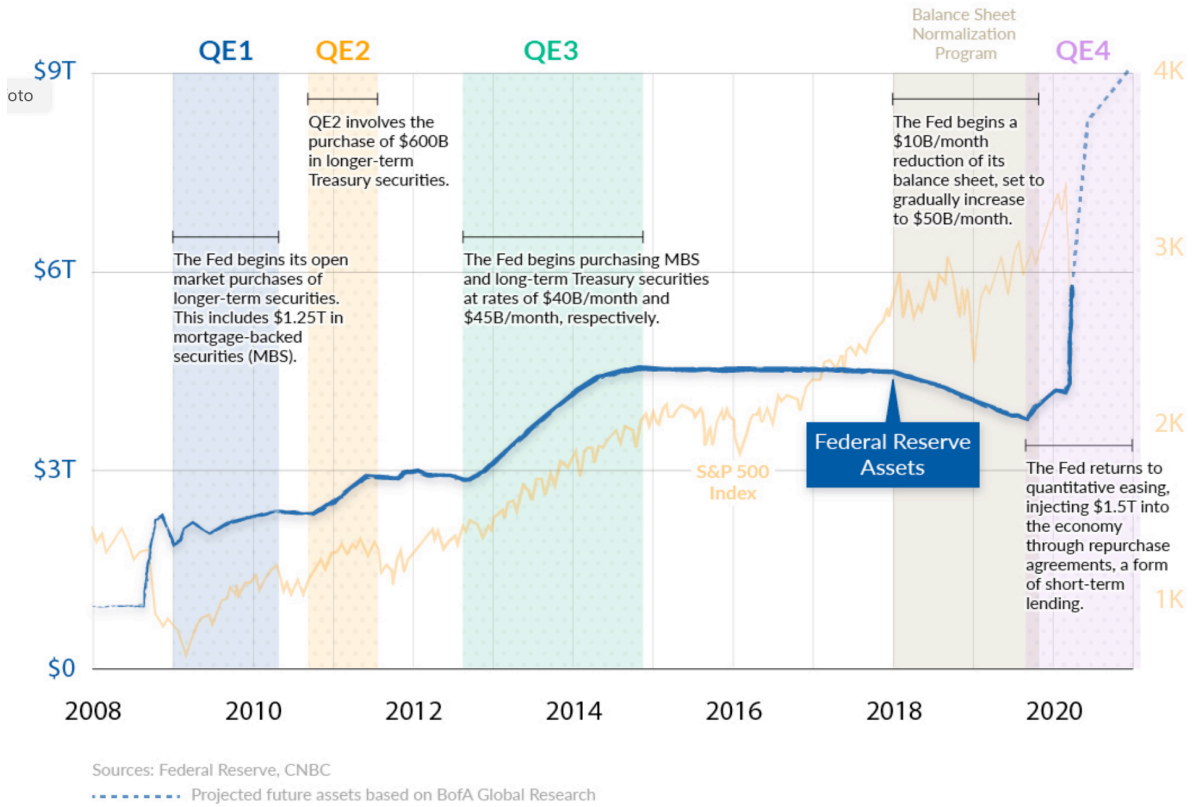

Figure 3: The Fed's balance since 2008[5]

The Fed's decisions and responses are also dependent on the situation on the major stock markets, as the next chart shows. On the left, we have the Dow Jones Index (DJ) since 2017, which summarises the share values of the 30 largest US companies. The DJ rocketed to unprecedented levels after a slump reached its low point in March 2009. It hit an all-time high of 29,551 points on February 12. On Monday, March 9, however, the first major crash hit, triggered by a dispute between Saudi Arabia and Russia over funding policy in OPEC+. Since then, the price of Brent oil, which had reached almost $70 in January, has fallen from $50 to below $30. Given this price, the fracking industry in the USA can no longer operate profitably. Between February 20 and March 23, prices on Wall Street plummeted by about a third, representing the biggest drop in prices for 100 years. Recently, and especially following the announcement of the rescue packages, prices have begun to rise again. On the right is the DAX, the counterpart of the Dow Jones for German companies trading on the Frankfurt Stock Exchange, where the trend was similar.

5 Source: https://www.visualcapitalist.com/the-feds-balance-sheet-the-other-exponential-curve/ (accessed on 19.04.2020)

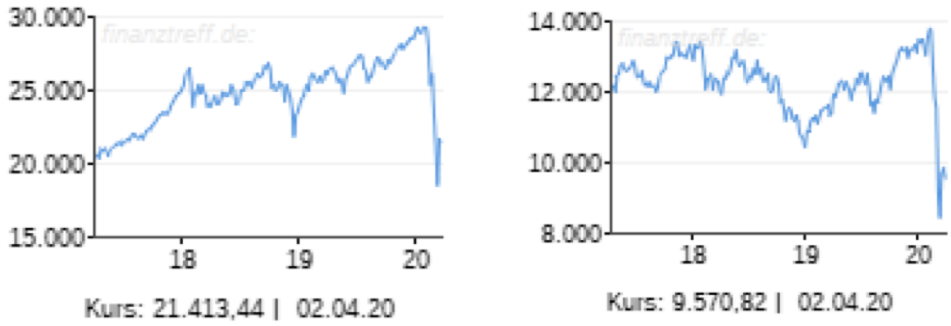

Figure 4: Dow Jones and DAX, from 2017 to April 2, 2020[6]

1.4. Consequences for the real economy

The stock exchanges deal with the expectations that big investors, in particular, have. They expect that the economic crisis, which has already begun, will amplify significantly. The reasons for this are obvious, as the next picture shows. On the left are the households, on the right the businesses, in the middle the state, at the top we find foreign countries with imports and exports, and the financial sector is at the bottom. The arrows show cash and financial flows, all of which are disrupted at the moment.

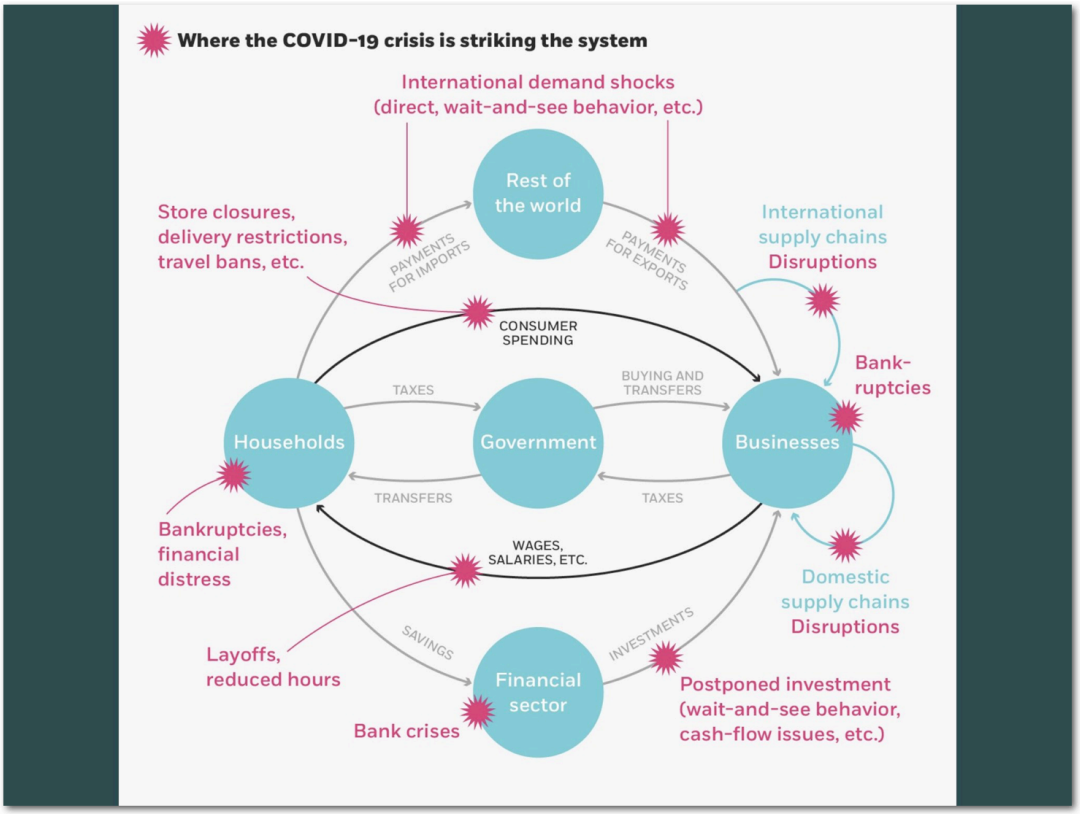

Figure 5: Major flows of money and goods[7]

For example, curfews and lockdowns (shown in the upper-left corner) immediately reduce consumer spending. The result of this is that companies do not generate any revenue, they immediately lay off staff, wages and salaries fall, the buying power of households decreases, many go bankrupt etc. In the USA, for example, a good half of the population

6 Source: https://www.finanztreff.de/indizes/
7 Source: Baldwin 2020

lives hand to mouth without any significant savings. Many can no longer pay their rent, which has risen sharply in recent years. The ten suns in the diagram symbolise ten different interruptions of global cycles, which are currently all occurring simultaneously. This fact amplifies the problems of each individual interruption. Currently, the economies of many countries are collapsing and unemployment is exploding. In Austria, according to the official definition of unemployment, it has soared from 4.7 percent to 12.2 percent in a short period of time. In the USA, 3.3 million people registered as unemployed in the week ending March 21 (the actual number is even higher). By April 2, this figure had already risen to 6.6 million.

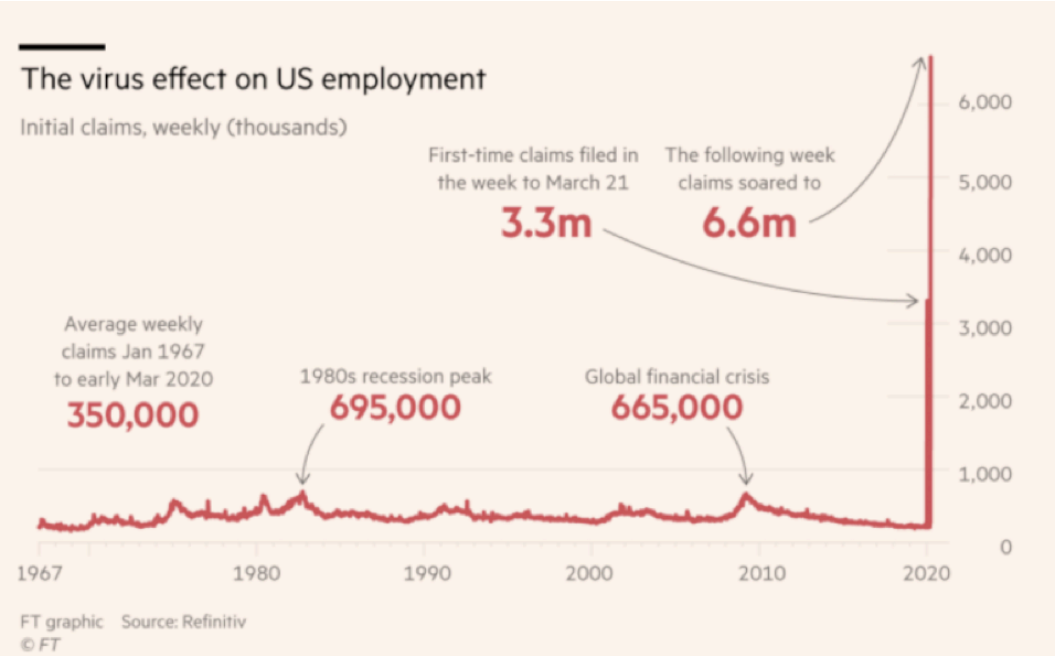

Figure 6: The effect of the disease on US employment[8]

1.5. Rescue packages

In the last two weeks, in particular, governments have reacted to this situation by announcing rescue packages on a scale never seen before in all of the centuries that capitalism has existed.

Table 1 gives a rough overview of some countries. The figures are rounded and all values are shown in trillions of euros. In the first column, we see the gross domestic product for the year 2018. This figure measures the total created value, i.e. the sum of all income generated in a country during one year. In comparison to this, the second column shows the level of government expenditure; here, we only have the figures for 2017. In the last column, we see the sizes of the rescue packages that finance ministers have announced in recent weeks. In Austria, a package for €38 billion was announced following the first discussions, which is a good 8 percent of GDP. In Great Britain, this figure is a good 10 percent; in the USA, it is around 9 percent, where $2 trillion, or around €1.8 trillion, was approved by Congress. There is now talk of a new, additional programme for the same

8 Source https://www.nakedcapitalism.com/2020/04/coronavirus-control-irritability-and-guilt.html (accessed on 03.04.2020)

amount. In addition to these sums, which have a direct impact on and will burden the 2020 budget, further record sums, most of which will be handled by the central banks, will be spent. These additional sums will be used to grant loans, for example. In Germany, this is managed by the new Economic Stabilisation Fund (WSF), which has a budget of €600 billion and is tasked with keeping companies alive via guarantees and loans. In the USA, $6 trillion (about €5 trillion) in financial aid is to be activated in a similar way, most of it going to large corporations.

in trillions €	GDP 2018	Government expenditure 2017	"Rescue packages"
Austria	0.5	0.2	0.038+
Germany	4	1.5	0.156 (+ 0.6 Economic Stabilisation Fund)
United Kingdom	3	1	0.38
USA	20	4	1.8 (+ >5 via the Fed)
Japan	5	0.87	0.28+?

Table 1: Rescue packages in relation to GDP and government expenditure

These huge rescue packages give an indication of how seriously governments are taking this economic crisis. The forecasts made recently by economic research institutes in Germany and Austria indicate that the economy will shrink by between two and four percent. This range roughly corresponds to the situation in 2009, which led to the sovereign debt crisis that some eurozone countries have been battling with since 2010. These forecasts obviously serve to reassure the public. Some fear, however, that we will be faced with a significantly worse situation. For example, JPMorgan estimates that global GDP will fall by 10 percent in the first quarter of 2020 and by 25 percent in the second. The economists at the Fed in St. Louis forecast that employment numbers in the USA will fall by 47 million in 2020, which would correspond to an unemployment rate of 32 percent. The UN has just announced that Africa's GDP will fall by 15 percent in 2020, placing half of all jobs in Africa at risk.

All of the figures mentioned show the ignorance of those making the statements. Nobody knows what will really happen. What is of central importance is how long the lockdowns will last, when shops will reopen, and when the factories will start working again. Gabriel Felbermayr, the president of the Kiel Institute for the World Economy, estimates that a shutdown of one month will result in a loss of about 4 percent of GDP in that year. The largest figure for the predicted economic decline that I know of was presented by the economist Heiner Flassbeck, who was State Secretary in the German Federal Ministry of Finance in 1998 and 1999 and Chief Economist of the UN organisation UNCTAD (The United Nations Conference on Trade and Development) from 2003 to 2012. Flassbeck expects Germany's net exports to fall by half and the economy to be paralysed for four months. On the basis of these assumptions, he concludes that Germany's GDP will fall by 25 percent. The huge rescue packages are there to avert such horror scenarios. However, it is uncertain whether and how such large sums will reach not only large companies, but also the many peripheral service providers and how the funds can be distributed quickly and effectively. We can only hope that the current economic crisis will not develop into the biggest crisis in 100 years.

2 An Interpretation of the Coronavirus Crisis

Now that we have an overview of the situation, let us move onto the second part of this paper: how should we interpret such a severe crisis? How can we translate the flood of numbers into a simple picture, into a simple story that makes the events understandable?

Big, important events can always be interpreted in different ways; indeed, they lend themselves to different interpretations. One thing is clear: which interpretation of the coronavirus crisis will prevail is of central importance to the future of our society. Many different stories are circulating currently. They range from conspiracy fantasies with absolutely no factual basis to the denial of a health crisis, from fierce criticism of democracy to statements that the end of neoliberalism, or even of capitalism, has come.

The following interpretation has already been established and is commonly accepted:

1. The coronavirus crisis is a natural event that has suddenly and unexpectedly occurred – what neoclassical economists call an "exogenous shock" that originated outside of, and has nothing to do with, the economic system.
2. This crisis will last a short time.
3. We must focus on getting through the crisis as quickly as possible.
4. The state will succeed in this with the means it has at its disposal.
5. We will soon be able to return to the desirable "normality" we enjoyed before the crisis.

Such an interpretation is wrong and will have disastrous consequences. Above all, it is insufficient to consider the coronavirus crisis to be a purely natural phenomenon. It is a natural event, but <u>only in part</u>. It is, above all, a <u>social</u> event.

Let me illustrate this with an analogy. A crop failure does not necessarily mean that a country has to suffer a famine. If there is a famine, it is triggered by a natural phenomenon called crop failure, but not caused by it. A crop failure can only develop into a famine if the society it affects reacts in a specific way. This is because a crop failure can have many consequences. Is the society prepared for a bad harvest? Has it stockpiled? Can it organise help, internally or externally? What information do people have? Are sufficient financial resources and transport facilities available to prevent people from starving? How do the powerful in the country react? Do they care for those affected or do they leave them to their own fate? Every question depends on the society affected by the famine. A famine is always a social event.

In the same way, the coronavirus crisis marks a crisis in a society. It is not a purely natural phenomenon. In every country, the quality of society is now under scrutiny. The course of the pandemic will illustrate how society functions. We can go country by country and describe, in detail, the social setting in each country. Knowledge of this kind is valuable, but insufficient, because the coronavirus crisis is a global crisis. In order to understand it, we must look at aspects of a global society. And when taking a historical perspective, we need a picture of the historical phase global society currently finds itself in.

In other words, to be able to reflect on the crisis as a global historical phenomenon, we need a specific picture of society and its historical development. Without such an image, we cannot understand the coronavirus crisis. Let me ask you some vital questions before giving you my view. What image of society do you have? What society do you live in? How

has the society in which you live changed over the last decades? Think about these questions, as they are of the utmost importance.

There is no elaborate theory to the background of my image of society, which I will outline below. It is based on a heuristic framework in which many findings can be ordered and organised. As a historian and economist, I understand modern society as an economicised society, a certain form of capitalism in its centuries-long development. This form of society has evolved since the 1980s and was intensified in the 1990s after the collapse of the so-called Eastern Bloc. An economicised society is characterised by the fact that, in contrast to earlier phases of capitalism, many new areas of society are directly subject to an economic functional logic. Business norms, logics, indicators and targets apply to a large extent here. Many processes have been and remain reoriented towards the buzzwords *costs*, *benefits*, *rationality*, *efficiency* and *competition*. Following this logic, I must – in contrast to when I began my studies – promote the interests of an "entrepreneurial university", orientate my teaching towards how the degree can be applied and the professional success of my students, understand these students as "customers", and see myself as an entrepreneur who is constantly subject to a multitude of rankings and who has to offer himself in competition with others on the "marketplace of ideas". For me as a scientist, on the other hand, old ethical attitudes, such as striving for truth, should be secondary. We can see how universities have gradually transformed in accordance with this logic. Today, for example, it is much more "efficient" for universities to hire academic employees on a short-term basis to work on a project and to grant permanent employment to only a few. Similar developments have taken place in many areas, especially in the private sector. Many work processes have been largely standardised and normalised, making them directly appraisable and assessable. New rules have usually increased the pressure and rush at work, and a better performance and more output is demanded from employees in many fields than in the past. According to this narrative, we have to prove ourselves in global competition with the rest of the world.

Central to this huge transformation of society was a specific image of the economy that spread around the world. It is the image of "the market", or "globalisation", or "the global market", to which "we" – it is said – should submit. "The market" is also the point of reference for politics, and parliamentary democracy, as Angela Merkel has said several times, must ensure it is "in line with the market". The central goal here is ensuring that a location remains attractive for business and investment (called "Standortsicherung" in German, literally meaning "location securing"), something that every area of the country must adapt to and set as its goal. My colleagues and I at the Cusanus Hochschule für Gesellschaftsgestaltung have researched the concept of "the market" in detail over the past few years.[9] In Ötsch (2019), I have described the history of this idea: it was conceived a hundred years ago and spread first in economic theory, then in politics – supported by parts of the economy – and then in society. In this book, I also describe the manifold networks that it still needs today and the image of "the market" that economically powerful people can use as an ideology. Using the idea of "the market", which many people believe in, very rich people, in particular, have succeeded in securing and pushing through their interests. Traditionally, the term *neoliberalism* is used. I prefer the term *market fundamentalism* because it is a more precise term that can be defined exactly.

9 E.g. Graupe 2017, Ötsch et al. 2017, Graupe 2020 and Bäuerle et al. 2020.

What is the fundamental problem with the myth of "the market" becoming a social certainty? It establishes a specific image of the economy, which cannot impose limits on itself. Figure 7 shows this.

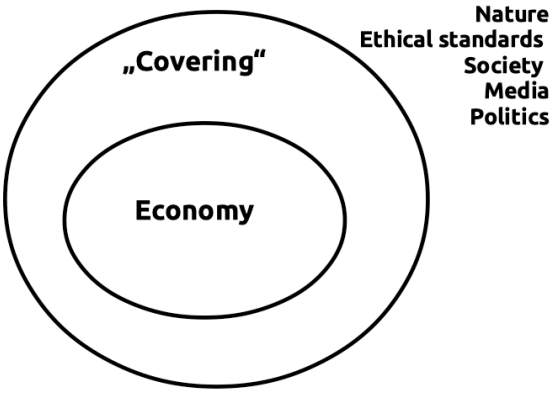

Figure 7: The embedded economy

Figure 7 shows the economy surrounded by other systems. The economy is embedded in something bigger; we can call this a "cover" or a "shell" surrounding the economy. This cover can be nature, existing ethical norms (child labour and slavery are rejected by most in our part of the world), society in a broad sense, including civil society, critical media (if they exist) and, above all, politics. Politics determines the rules of the economy, how money, property, contracts etc. are structured and what is legitimate and what is illegal. However, those who believe in "the market" are in danger of forgetting the shell that covers "the market" (people engage in economic activity as if nature had no say). Alternatively, they rebuild this shell so that it serves the purposes of "the market". For those who believe in "the market" and in the practices that are justified by "the market", it is not nature or politics that is considered to be paramount, but "the market". It is imagined as a superior being, which is pure fiction: "it", "the market", rewards and punishes us and we have to orient our lives according to "it".

According to this concept, politics is given two tasks, which have been formulated in many variants: firstly, it must actively create "the market" by setting the right regulatory framework, like a rule of law. And secondly, once this "framework" has been established, politics must behave passively and allow "the market" to operate, meaning that it is not permitted to intervene in "the market". Only in cases of "market failure", as the term is used, is the state allowed to "intervene". This political concept is profoundly contradictory and opens up a field in which politicians of different political orientations can engage in mock battles. Generally, these battles are based on a deeply negative picture of politics, political parties and political actors. Above all, politicians are denied the ability to set explicit goals for “the market". According to this concept, politicians are neither authorised nor able to do so. The familiar slogan we have all heard is "there is no alternative" – that is, there is no alternative to free market policies.

The concept of "the market", accompanied by a devaluation of politics, has two major consequences. Firstly, "the market" (as people think of it; it is just a myth) can grow at the expense of other sectors, which are economicised. In the process, specific economic theories (namely those that include a concept of "the market") become the leading science of society, even though they are scarcely pondered or analysed. Secondly, a "social surplus" that used to exist is reduced everywhere, it is squeezed out, so to speak. Dallying away time and "exaggeratedly" paying attention to health at work is considered inefficient and

must be stopped. Personnel reserves that are not used continuously are a waste. Financially, there are no buffers; every cent must be used optimally, according to this economic theory. Every last scrap of land must be economically exploited, as we can see if we look at how landscapes have changed in recent history. Above all, however, in the grand narrative of "the market", social relationships are primarily thought of as market relationships, and consequently they must be established as market relationships. In this way, the whole world, both nature and the social aspect of life, becomes a huge space of calculation and costing permeated by money.

Such a global system apparently becomes increasingly rational and efficient, as many indicators show. What is forgotten, however, is that it simultaneously becomes more and more vulnerable and more and more unstable, which is due to the reshaping of the "shell" and the internal structure of the economy. In 2008, we learned just how unstable the financial system has become. The coronavirus shock shows how vulnerable our entire economic system has become on a global scale. The "shell" has been softened, society streamlined and economicised. In such a society, it is inevitable that we do not have enough buffers or reserves. The abundance of money and excess of wealth do not provide the majority of people with what they need for a good life, but a minority with calculated advantages. Businesses and households are constantly living on the edge and most of them can no longer cope with a loss of income for a few weeks – this applies to the poor in rich nations and, especially, to poor people in the Third World, who are accustomed to a life of constant stress. The pandemic will hit them with full force. For an Indian day labourer, a lockdown equals the threat of starvation.

The coronavirus shock marks a crisis in a political system that is guided by the concept of "the market". Such a political system has many faces. It is also reflected in the lack of international cooperation to combat the pandemic; there is little coordination within the EU (the aid offered by the European Commission at the end of January was rejected by the member states), while Donald Trump is unable to organise a common policy across all US states. The UN’s budget is spread too thin and the World Health Organization (WHO) has no real powers. Overall, there is no effective "shell" that could manage this crisis covering the global economic system, not only for health concerns. If a capitalist economy must always be embedded in a social shell in order to function, then today's global capitalism does not need a world government, but many functioning global standards that go beyond purely economic concerns: these standards must address human rights, labour rights, hygiene conditions and personal liberties, which today's IT companies (in the new era of surveillance capitalism) blatantly disregard.

Such a shell has not become a reality in the new "globalisation" that has spread since the 1990s, nor have attempts been made to implement it. However, a reduced global economic shell of "the market" was established. This was required because global capitalism is not possible without globally active institutions and without globally binding rules. This shell, which makes a global economy possible, consists, among other things, of the World Bank, the International Monetary Fund, the major central banks, which work together in a coordinated manner, the rating agencies, and countless regulatory systems (often described as "governance") and logistics for money, information, financial transactions, trade and transport. In many cases, this framework works with great reliability and precision. It is the basis for the operations of large multinational corporations and global financial institutions. The coronavirus crisis highlights the need to transform this framework. A first step could be the establishment of an assertive international disease control agency.

3 Looking to the future

We now come to the final part of this paper and take a brief look at the future. The coronavirus shock will change society and it will not be possible to return to the "normal state of affairs" we had before the crisis. The economicised global society is at a crossroads: does it want to continue with economisation or change it at important moments? In simple terms, we can devise two scenarios.

3.1 A negative scenario

The first scenario describes a development that I consider negative, but which is quite realistic. In this scenario, the coronavirus shock will bring little change on the surface, but will, in fact, fundamentally reshape the political shell that surrounds capitalism. In this scenario, the coronavirus crisis of 2020 will be handled in a similar way to the financial crisis of 2007/2008. The 2008 financial crisis, which hit its peak in mid-September of that year, was an internal crisis of capitalism. It was caused at the centre of the global financial system and, in a sense, emanated from Wall Street. This crisis was not primarily a banking crisis, as is often asserted, but a crisis of the shadow banks or the shadow banking system. Here, if we define this system institutionally, we find financial institutions, such as hedge funds, special-purpose entities, or the former American investment banks, which were largely unregulated – much of the shadow banking system is also located in tax havens. In this system, new forms of securities, such as asset-backed securities, and specific forms of hedging, such as derivatives, were produced and sold on international markets on a large scale.

Such a development was only possible against the background of a long history of deregulation: on the one hand, certain transactions were explicitly permitted (e.g. excessive derivative trading) or existing regulations were withdrawn (under Clinton, for example, the separation of commercial and investment banking was abolished in the USA), while on the other hand, the regulatory authorities stood by and watched passively as new products were invented in the financial sector. The argument was that "the market" would eliminate all harmful operations by itself and that "intervention" was not necessary and would have harmful consequences.

The unexpected shock in mid-September 2008 can be understood as a diverse criticism of many groups:

1. of politicians who have allowed or encouraged these processes (also in Germany),
2. of the central banks that have played an active role in this (including the ECB),
3. of economists who were either not familiar with the entire process or approved of it (many of whom belong to the so-called mainstream economics),
4. of the media that have not critically reported on events, and
5. of analysts who were not able to understand a complex system and clearly describe the risks lying dormant within.

Above all, however, neoliberal thinking, or the myth of "the self-regulating market" was directly challenged by the financial crisis. The financial system, which was thought of as a "market", had been allowed to develop dynamically as a "market" before the entire system

teetered on the edge of the abyss in 2008: the unsecured interbank lending market had come to a standstill and the financial system had suffered something like a cardiac arrest.

In this analysis, which I can only provide a basic outline of here, it must not be the case that the people mentioned, their networks and their ways of thinking are thought of as isolated. They form a thought collective that has direct access to power and can directly and effectively promote its own interests. This collective makes it possible for a small minority to make huge profits, even today. This is only possible because the economic system is constructed in such a way that there is permanent redistribution from the bottom to the top – many people do not know how this works. The process of economisation, which requires greater efforts from most working people, is directly responsible for this. Economisation tends to make incomes and wealth more unequal. We see an extreme situation in the USA, where real wages have hardly increased at all since the 1970s, meaning that the profits from the sharp rise in productivity have mainly gone to the big investors and owners.

The autumn of 2008 shook these elites to their core. The G20 (made up of 19 leading countries plus the EU) had promised at the G20 Washington Summit on Financial Markets and the World Economy in mid-November 2008 (and then at the follow-up event in London in early April 2009) to fundamentally change the global financial system. In future (as the closing document read), "all financial markets, products and participants [will be] regulated or subject to oversight, as appropriate to their circumstances" (G 20, 2008). A short time later, it became clear that this announcement was due to the stress of the hour and had no substance. In fact, little has changed with regard to the basic, fundamental aspects of the financial system since then and it is as unstable (as I have implied) as before.

Why did this happen? Why has this knowledge from the 2008 crisis not manifested itself in action? The answer is clear: that would have required people to change their deep-rooted mindsets (something the economists were unable to do) and, above all, economic power would have had to have been distributed differently across the globe. However, powerful people never give up their power voluntarily, least of all if that would require them to understand and accept the reality of the situation. It must be taken from them – there are many historical examples of this – and this requires political movements that want to do this and actively and energetically pursue this goal. This was not the case in 2008.

Politics as a whole made a fatal mistake in the 2008 crisis, which as such has still not been reflected upon. It never really explained the financial crisis to the people. It did not use simple words and simple images to help people understand what structural issues were at stake. Economists themselves either did not provide politicians with their support, or viewed the situation differently, while politicians did not listen to the minority of economists who would have been able to explain the situation to people in an understandable manner. The fact that a financial crisis can be explained with simple images is something that Franklin D. Roosevelt showed after the Great Depression in 1929, and that is precisely why he was elected President of the United States in 1933.

An unexplained crisis creates its own dynamic, which could reappear after the coronavirus crisis. A look at the outside, from a historical distance, for example, can be helpful for this. Let us imagine that we could observe a foreign power system from a distance. In this system, we can identify elites working in conflicting ways that accidentally trigger a major crisis and causes them (but not the majority of the population) to feel fear and panic. Paralysed with shock, they realise that their own self-interest demands a change. But after a few months, they notice that there are no opposing forces striving for real change and

the elites have no desire to voluntarily give up their power. The consequence of this is – and this is crucial – that the power of the elites who made the crisis possible increases, rather than decreases.

This is precisely the process that started in 2009. In retrospect, we can see how the elites of "the market" have increased their power as a result of the financial crisis from 2008 onwards and how the neoliberal or market-fundamental thinking of "the market" has become stronger – historically speaking, a remarkable process.[10] Through this increase in power, the shock of 2008 could be used to the advantage of elites via the strategy of shock therapy from 2010 onwards, as Naomi Klein (2007) describes it in her book "The Shock Doctrine".

The first shock from the 2008 financial crisis was followed by second shocks from the political arena, such as the austerity packages that were implemented in over 100 countries from 2010 onwards. In 2009, for example, the European Commission did not ease the Maastricht criteria, which limit budget deficits, but tightened them: not reported by the media, the criteria for a "structural deficit" (based on questionable economic models) were raised. Using this, and other manoeuvres, the unexplained financial crisis of 2008 was reinterpreted and by the end of 2009, the public was presented with the idea that the crisis was, in reality, caused by public finances. There was now a simple explanation: "we have lived beyond our means". In Europe, this policy has been exercised above all in Greece by the troika (the European Central Bank, the International Monetary Fund and the European Commission), and as a result, GDP in Greece has fallen by 25 percent.[11]

The upcoming political shock therapy that could be introduced after the coronavirus shock is obvious. It does not only concern social policy, but politics as a whole. Its aim is not the welfare state, but democracy itself. In doing so, economic (neo-)liberalism would completely separate itself from political liberalism, which has brought with it political and human rights. On this path, as in the USA, Great Britain, Brazil or Hungary, right-wing populist movements could come to power and build a new political shell for authoritarian capitalism after the coronavirus shock.

Such a scenario uses highly destructive energies that can be easily activated by a crisis. During the Black Death in the middle of the 14th century, minorities, especially Jews, were blamed for the plague and were persecuted mercilessly. In modern times, we can observe how aggressive nationalism is fed by the shock of the pandemic. Many consider fanciful conspiracies credible. Viktor Orbán, who has largely eradicated democracy in Hungary, is waging a war on two fronts with his words: against migration and against the coronavirus. He causally relates both enemies. In his view, and that of his followers, this link justifies the abolition of democratic standards and the establishment of an authoritarian regime. We are observing new authoritarian tendencies in many countries. The U.S. Department of Justice wants to limit the rights of independent judges and the British government is considering introducing legislation that would mean that immigrants could be arbitrarily arrested so that they can be tested for the virus.

A key moment in such a scenario would be a new surveillance state. The global pandemic provides the perfect backdrop to closely link the existing surveillance of large IT companies (Zuboff 2019) with new state surveillance tools. This would make it possible to, for example, monitor in real time (as is done in Singapore) who is moving where.

10 Cf. Mirowski 2013, Earle et al. 2017, Christensen 2017, Ötsch 2019.
11 I have documented the nine austerity packages for Greece from 2009 to 2015 in detail: https://www.walteroetsch.at/die-gescheiterte-sparpolitik-in-griechenland/

Fundamental rights and freedoms have been massively interfered with in recent weeks in many countries. In the negative scenario, these encroachments on people's liberties are not removed, but rather maintained and established as the new normal. In this scenario, politicians try to establish a new authoritarian framework, which should suppress protests and unrest very effectively should a severe economic crisis hit.

3.2 A positive scenario

However, the future is always uncertain and full of possibilities for change. Every decision, every moment can send human history in a new direction. History is littered with examples of how the world was improved after crises. The Spanish flu led to the development of national health systems in many countries and the Great Depression was the trigger for the development of the European welfare state. Emergency situations such as an earthquake or a flood often bring out the best in people as many come together to help. Large sections of the population can also vehemently demand that politicians actually help those affected.

The level of politics is crucial if society is to develop for the better. We are currently experiencing a redesign of political action that contains positive moments. Starting with China, politicians in every country have reacted too late. However, every country has reacted and has reacted powerfully. Regardless of my view or your view on individual measures, politicians and political systems in many countries have proved to be capable of action to a surprising extent. Even Johnson, Trump and Bolsonaro had to change course. Politicians around the world have shown that they can act if they want to act. Well-established viewpoints and slogans were thrown out of the window. We did not concern ourselves with the goals of "the market" or business interests. Nobody said, "there is no alternative".

In the negative scenario, people only talk about the trigger, the virus. In the positive scenario, people talk about the society that turns the natural phenomena – the virus – into a social crisis. A positive scenario requires that we recognise the positive moments of the coronavirus shock, emphasise them and bring them to the fore. These could be, for example, the following eight points:

1. Being locked in causes stress, especially when children and relatives are difficult. However, many experience a good new life with less stress and more self-determination, accompanied by
2. an exuberant creativity that manifests itself in the design of new routines and is expressed on social media.
3. We experience new forms of talking collectively about fears. When everyone is afraid, nobody needs to be ashamed of their fear. The shared experience of fear activates the human side of us.
4. Some people experience this with a global perspective. We experience that we are vulnerable beings and that we share the same global destiny.
5. This means that we can experience a new form of solidarity with strangers. Many stay at home, not out of concern for their own health (the chance of dying from the virus is very low) or because they approve of the government's measures (people have very different opinions on the measures), but out of concern for others, and not just for grandma and grandpa.

6. The experience of how important and powerful politics can be. Many people have now been politicised for life: they will follow political events and think about political processes more.
7. The experience of a break. For some people, it gives them a new perspective on their own lives, on what really counts and on the circumstances that make a good life possible.
8. The experience of agency: whether and how I act can make a difference in the lives of others.

However, people could have had these experiences and made these decisions in the past. What is decisive for the future is whether the individual experience of learning how powerful our actions are can be implemented politically. It is also crucial whether the shared experience of fear leads to collective action to reduce fears about the future. In the positive scenario, the positive moments of the coronavirus shock can be transformed into a reflection on the systemic shortcomings of society, the economy and politics. Now is the time to ask fundamental questions: what are the structural deficiencies of existing systems? How can we make the economy more hospitable on a global scale, by improving hygiene conditions for the poor as a first step, for example? How and through what new means can governments finance these tasks? How can democracy be saved and renewed?

In other words, it is important that we collectively avoid the mistakes we made after 2008. However, there is one circumstance that is favourable, and it lies in the extent of the concern and shock. Predominantly highly skilled members of the private sector were shaken by the 2008 crisis; today, everyone is shaken. If being shocked now leads people to be shocked about other circumstances, then – and this would be a particularly positive scenario – it might be possible to promote concern about the climate crisis or various environmental crises in a new way. After all, nature is a key aspect of this virus: in this case, we can consider how animals are treated in a market that is part of a global system of markets. However, regardless of this case, the next pandemics are lurking around the corner. They are directly linked to global warming. If the permafrost thaws, which accounts for almost a quarter of the world's soil, organic material will enter the atmosphere and may contain viruses that we are defenceless against.

Perhaps another miracle will happen and perhaps the coronavirus shock has come at the right time, namely to help us avert the even greater environmental catastrophes that lie ahead of us.

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