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## Article

# The COVID-19 pandemic – variegated crisis reactions in Germany, India, South Africa and Brazil. Editorial to the special issue

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# The COVID-19 pandemic – variegated crisis reactions in Germany, India, South Africa and Brazil

## Editorial to the special issue

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The COVID-19 pandemic hit the world in early 2020, leading to a global recession with unequal impacts and the questioning of globalisation patterns that have prevailed for decades. Supply chains were disrupted, and shifting policies and priorities at the corporate level, but also at the level of economic policy, began to reduce dependencies on foreign countries. This trend was reinforced by geopolitical conflicts between the US and China and the war in Ukraine.

A central question of this special issue is how the countries of the Global South and Global North have reacted to the challenges described as well as other urgent problem areas such as ecological transformation. Crucial to this question is what leeway the respective countries have in terms of economic policy, what political power relations exist in these countries and how they are integrated into global value chains (GVCs). In this special issue, we have succeeded in compiling different and partly complementary theoretical considerations as well as comparative case studies of the developments during the COVID-19 crisis in Brazil, India, South Africa and Germany. Scholars from the respective countries contributed decisively to the studies based on two jointly conducted research projects of the Volkswagen Foundation and the DFG. In summary, the following results emerged:

- The economic policy space of the countries of the Global South and Global North to react to crisis situations is fundamentally different. Weak currencies in the countries of the Global South narrow the monetary and fiscal policy space, while monetary and fiscal policy stabilisation in the countries of the Global North during the COVID-19 crisis was enormous.
- The role of the state is changing, especially in the area of industrial policy. However, this was mainly observed in the countries of the Global North. In Germany, for example, state support for companies and households was enormous. Similar development can be observed in the US. It was particularly alarming that such a change in the orientation of industrial policy was only very tentative or indiscernible in the countries of the Global South that we studied. The automotive sector, which we looked at closely, can be considered a prime example here.

- Finally, one of the key findings is that the social cushioning of crises depends on the balance of power at home. Trade unions and their role in companies and in society play a particular role in this. Economic constraints aside, engaging the interests of workers in crisis responses can make a huge difference. In this respect, depending on the socioeconomic model and the prevailing social bloc, the patterns of reaction seem to have even intensified long-established and familiar patterns of inclusion or complete neglect of employee interests.

The responses to the COVID-19 pandemic in the context of the different constraints faced by these countries can help understand the scope of future global crisis responses and how policies can be improved.

In their paper, Bruno De Conti, Hansjörg Herr, Praveen Jha and Zeynep Nettekoven analyse the macroeconomic response to the COVID-19 pandemic and the resulting deep recession. Germany, India and Brazil serve as case studies. The paper examines monetary and fiscal policy both during and after the COVID-19 crisis, as well as the distributional and poverty effects of macroeconomics policy. It is made clear that in the areas of fiscal and especially monetary policy, the policy space in the three countries has been substantially different. External constraints limited policies in India and Brazil, whereby policy spaces that could be used depended substantially on the political regime of each country. In Germany, comprehensive fiscal and monetary policies were implemented to stabilise the economy during the COVID-19 pandemic and to prevent deep distributional effects at least as far income is concerned. Overall, the article reveals deep differences in the macroeconomic policy spaces of typical countries in the Global North and Global South mainly based on their position in the global currency hierarchy.

Christina Teipen, Bruno de Conti and Praveen Jha address economic policy responses to COVID-19, the role of trade unions as well as the impact of the pandemic on work conditions from the perspective of the automobile industry and its employees in Germany, Brazil and India. A comparison of these countries reveals not only that they experienced the pandemic from significantly different starting positions but also that their various policy responses were shaped by their unique financial and political capacities. For Brazil, and even more so for India, they conclude that opportunities to cushion the consequences for employees theoretically would have been available but were not used during the pandemic, because, amongst other things, employees and their representatives were virtually uninvolved in finding solutions. In Germany, on the other hand, technological upgrading solutions were mobilised during the crisis with the involvement of social partners. Germany even expanded its scope for economic policy action in industrial policy with the help of European Union (EU) funds. Thus, they argue that power in GVCs, industrial relations and the use of uneven state assets in different social blocs remain the key national-specific resources for crisis responses, although this is not to deny the need for transnational cooperation.

Sam Ashman and Ben Scully examine the economic and social policy responses to the COVID-19 crisis in South Africa. The paper assesses the general state of the South African economy and how it is integrated in the global economy. On this basis, the promised – but not realised – expansionary fiscal policy measures and the actual followed austerity policy are analysed. They introduce the debate around the potential of a Universal Basic Income Grant in South Africa. The analysis demonstrates the crisis South Africa faces, in which neoliberal and corrupt elite try to capture the South African state.

Premilla D'Cruz and Ernesto Noronha examined the impact of COVID-19 on the IT sector in India on the basis of prudently interpreted interviews. This sector is characterised by more privileged working conditions with higher salaries and academically qualified workers compared to other industries in the country. As in other sectors, the Indian

government did not respond with investment-oriented fiscal policy, but it did enable the easy transfer of work equipment and infrastructure to the private accommodation of IT specialists, who were defined as indispensable, by means of regulation. This enabled the continued operation of the IT services and simultaneously increased the intensity of work for those working from home. After the pandemic, employees were able to use their bargaining power, which was high compared to other industries, to demand at least a hybrid employment model from corporate interests, which would have preferred a complete return to face-to-face operations.

Helena Gräf and Salome Topuria analyse the new and increasing role of industrial policy in Germany and the European Union (EU), which, for many years, was out of fashion. Industrial policy has received new relevance, on the one hand, because of increasing threats of climate change and the new importance of disruptive innovations, on the other hand, the COVID-19 pandemic has seriously exposed the fragility of global supply chains, resulting in policy priorities to reduce dependence on foreign countries. In the post-COVID-19 reality, the EU must face multi-faceted challenges equally induced by the structural shifts in GVCs, increased and reconfiguring global competition, climate change and technological innovations. Implementing industrial policy that tackles these aforementioned challenges, as argued, is a crucial prerequisite for maintaining international competitiveness. Against this backdrop, the article examines (i) the structure and the political economy of German industrial policy, (ii) the role of German industrial policy regarding the IT and automotive sectors and (iii) the impact of new dynamics in industrial policy at the EU level.

Lukas Handley and Anne Martin contribute a theoretical paper to the Special Issue. They take up the theoretical discussions in the aforementioned research context and argue for an approach that is capable of focusing on the different contexts at different levels of analysis in their interaction with each other. In this way, they lay an important foundation for further research in this area. They argue that an approach using the Variegated Capitalism research paradigm is well suited to analysing the effects of COVID-19 and national responses in isolation and, in comparison, not only for theorising the interconnections and interdependencies between international, national, industrial and regional levels but also especially for further understanding the COVID-19 crisis at a systemic level, through engaging with and integrating these levels of analysis in a wider examination of capitalism as a hegemonic global system and its crises. In this way, the COVID 19 crisis acquires its significance as setting the course for continuities, but also changes, in the complex process of global capitalism's development.