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Interview of Robert BOYER for POWERGAME

**In your book «Les capitalismes à l'épreuve de la pandémie» (2020) you refer to the need to reconnect economy with society. Can you briefly explain this for our readers? How did the pandemic contribute to the disparity?**

Before the outbreak of the pandemic, health was analyzed by economists as a cost weighing on the competitiveness and growth of economies due to the surge in the share of health expenditure in GDP. This is what had justified the attempts to reduce costs by introducing market mechanisms, for example in the management of hospitals. From March 2020, health is reintegrated in a triple way into the economy.

First of all, it is measured that this sector contributes to the well-being of the population by extending life expectancy in good health, by reducing mortality, by overcoming certain diseases. Secondly, the spectacular nature of the mortality observed in the first phase of the pandemic highlights that public health must come before the search for growth, efficiency or even economic prosperity. The priorities of governments are reversed, at least during the first phases of the pandemic, before a trade-off more favorable to the preservation of production capacities is then imposed by reducing the severity of measures restricting mobility. Finally, the structuring of social interactions appears to be a determining factor in the spread of viruses, in addition to strictly medical measures. Incidentally, we measure that inequality is not only due to income and wealth, but also to education, type of job and ease of access to medical care. In short, an “economicist” vision of the economy shows its limits and promotes a more balanced conception in which society, economy and public health are interdependent.

**There is currently a new reality in Europe, the war in Ukraine. Would you say that it is reshaping European politics and in what ways this could be? What about the economic consequences of war? Is there an end in sight and what would this depend upon?**

An equivalent reassessment is taking place following Russia's invasion of Ukraine. The victory of globalization had been associated with an end of history since henceforth the only configuration of societies should combine political democracy and market economy. In retrospect, we see that, on the contrary, in reaction, illiberal political regimes have developed, in the forefront of which are Russia, China and, to a lesser degree, India. The recourse to warlike violence therefore takes democracies by surprise, especially in Europe. Experts and governments must recognize that the relatively close interdependence between Russia and the European Union has not prevented recourse to war. It is the expression of national sovereignty over a territory, even beyond the economic costs incurred by the exclusion of Russia from international financial flows.

Thus, the sources of conflict between nations have not disappeared. Europeans and Americans realize that the drastic reduction in the share of military spending has weakened them in relation to a government ready to extend its power through pure violence. We measure that national sovereignty presupposes a capacity for defense against aggression. NATO, which was supposed to have lost its role for lack of an enemy, is proving to be a useful instrument for coordinating the reaction of democracies. On the contrary, the Ukrainian government notes the danger of being neutral and the consequences of the refusal of the NATO countries to admit it within its ranks. Moreover, EU governments realize that they have an interest in coordinating their reactions to the invasion of Ukraine. This further accelerates the pooling of certain policies, yesterday the purchase of vaccines, today the coordination of retaliatory and rearmament measures of member countries.

**There is a lot of talk currently in Europe about energy «dependency» from Russia and the ways out of this. Who is to «blame» for the energy shortages in Europe? And what is to be done?**

Globalization had resulted in the search for cost minimization through the extension of global value chains. The pandemic had already undermined this strategy since it had revealed the strong dependence of most countries on a small number of distant economies, at the forefront of which is China. The succession of short-term decisions ends up creating an extreme dependence, of which the decision-makers were not aware. One thinks of Germany's decision to stop nuclear power plants, to resort to importing Russian gas, or even coal: suddenly, in February 2022, this dependence weighs on the decision-making autonomy of the coalition government. We can see how desirable it would have been to seek sufficient diversification of sources of supply...but too late! It is an invitation to reintroduce consideration of the long term in any short-term decision.

Moreover, EU members are unequally dependent on Russian supplies, which complicates the search for a common decision on energy imports from Russia. While some governments doubted the possibility of a common European energy policy, the invasion of Ukraine raises the question again: why not adopt a purchasing policy at European level and ensure a certain solidarity in the distribution of the corresponding gains? Last remark, policies which had been considered as particularly well carried out, show their weaknesses. Are we not reassessing the legacy of Chancellor Angela Merkel?

**There has been in Europe, for some time now and made worse by the war and scarcity of certain commodities, a rise of inflation. What time span can you see for this? And what will be (also in future) the role of central banks, with their decisions, in curbing it?**

Already the pandemic had revealed shortages of medical goods. The vigor of the economic recovery, after the lifting of the confinements, came up against under-investment in essential sectors such as those of microprocessors. The shortage is global so that a large part of national inflation is imported. This complicates the policy of central banks because raising interest rates can certainly calm demand, without reducing the explosion of costs if an imbalance between supply and demand persists at the global level.

As such, a distinction must be made between the United States and the European Union. In the first case, an excessively generous recovery plan has created bottlenecks, including at the level of the domestic productive system, especially as the economy stumbles on near-full employment. Knowing the leadership role of the US Central Bank, the repetition of a Volker moment – namely, a sharp hike in the intervention rate – could precipitate a swing from inflation to recession. In Europe, on the contrary, the New Generation plan has been much more moderate so that imported inflation dominates, especially since the Euro would depreciate against the dollar. We measure the consequence of the fact that the Euro has not become a global currency capable of replacing the dollar.

Moreover, the task of central banks has become especially difficult. Not only must they control inflation without compromising growth, but they must also ensure financial stability. Some experts even attribute it a role in the transition to a green economy. Too many objectives for a small number of instruments! Clearly a theoretical update is needed, but the urgency created by the succession of crises is hardly conducive to calm reflection.

**The EU has implemented a Recovery Fund from the Pandemic. Has this contributed in cementing a more «compact» Europe? Is the Union in less or more of a crisis because of its handling of the pandemic?**

It is well known that European construction progressed above all during crises in which its very existence was at stake. The recent period is no exception. While it was so difficult to reform the Stability Growth Pact, now the common danger linked to the pandemic called for it to be put into question, at least temporarily. It is remarkable that the discussions on the issuance of European treasury bonds finally came to fruition only with the New Generation plan. Some analysts have spoken of a Hamiltonian moment, namely the beginning of a process leading to a federation. The situation is more ambiguous since for the frugal governments of northern Europe, this device must disappear with the end of the Covid-19, while for the governments of the south it is a first step towards taking into account the imperative of solidarity, and no longer competition, as the basis of European integration.

Clearly, the EU has made progress and the war in Ukraine constitutes, as we have seen, another incentive to pool or at least coordinate defense policies and diplomatic efforts to avoid a European war, or even world. Likewise, in these troubled and uncertain times, the euro provides protection for the weakest countries, contrary to what is observed, for example, in Latin America or Africa, whose countries are threatened not only by soaring costs energy and food but also the risks of devaluation of their currency. The euro ultimately proves to be a protection for the single market and an incentive to pursue European integration.

**In your opinion, what are the prospects for the Greek economy as it will be getting out of the pandemic?**

The good news is that Greece benefits from this solidarity. This manifests itself in an apparent paradox: while public debt in total GDP is reaching unprecedented levels, the fall in interest rates has finally reduced the debt burden to less than 2% of GDP, leaving some space for the most essential public expenses.

On the other hand, other features are more worrying. First, per capita income has not returned to the level observed before the Greek crisis. Despite rapid growth, around 7.4% year-on-year, unemployment, in April 2022, remains high (13.3%) and there is a double deficit in the balance current account and budget, respectively 4.6% and 5.7% of GDP. In addition, inflation is high, even if it is close to that observed in Germany, respectively 7.2 and 7.3%.

Thus the structural weaknesses of the Greek economy have not been overcome: weakness of the manufacturing sector, strong dependence on tourism, while the latter is far from having regained the pre-pandemic dynamism. Should we anticipate that the New Generation plan will succeed in compensating for these handicaps? It is too early to decide.

**You argue in your book that some countries had not overcome the consequences of the 2008 economic crisis, when the Covid pandemic struck. So, for these countries, if I understand it correctly, you argue that the return to the pre-pandemic situation is not a solution. Would you say this is the case of Greece and the European South?**

I am quite worried too about Italy. Indeed, this country has been in virtual stagnation since its entry into the euro and it is to be feared that the tightening of European monetary policy will raise interest rates, which will particularly affect the weakest countries, including Italy. . In this case, the financial markets will arbitrate between the various national public debts and this could again penalize Southern Europe, including Greece. In addition, the resumption of the epidemic in China poses a threat to the continuation of international mobility, and therefore tourism. In addition, soaring energy and food prices can affect the purchasing power, particularly of the most precarious. The resurgence of social conflicts can jeopardize the ability of governments to mediate these protests.

In short, Greece has not fully emerged from the crisis that began in 2010. Alas!

**During the pandemic, the sector of health has acquired a larger role in the economy. How do you see this following through? Do you see a boost for big pharmaceutical companies? Do you see a larger role and more financing of the health sector in state economies?**

Both the pandemic and the threats of war have rehabilitated the role of the State: insurer of systemic risks, defender of public health, expression of national sovereignty, bearer of solidarity, master of the clocks and defender of the long term. The illusion of the omnipotence of totally deregulated markets is over. Isn't it remarkable that, whatever their ideological orientations, most governments have supported the purchasing power of the weakest, even if it means temporarily not following the price signal? Under the emergency, what a departure from the neoliberal doxa!

This is a favorable factor for a resumption of state control of the health sector. National social security systems indeed give better bargaining power compared to the large multinational pharmaceutical companies. The competition between health insurance systems is causing an explosion in costs in the United States and shows the limits of neo-liberal policies. In the same way, the introduction of competitive principles within hospitals is far from having delivered the expected results. This opens the possibility of a reconfiguration of the health sector at the initiative of governments.

Unfortunately, there is another scenario playing out in the United States, and by extension in the rest of the world: the profits accumulated by platform capitalism allow GAFAM to penetrate the biological research and drug sector, even if it means aggravating the strong inequalities in terms of access to health and life expectancy. We measure the divergence between the trajectories of the old continent and the United States.

**You have argued that at the beginning of the pandemic, national governments in Europe have followed a sort of «imitation» policies, choosing to deal with the pandemic in similar ways, even if these ways were not always the best. Would you say that the governments are still unable to foresee how the pandemic will follow through? Or policy decisions at this stage, concerning the pandemic, are more informed?**

In fact, the governments first copied each other but then, depending on the national context, some learned from their past mistakes and consolidated their public health system (Taiwan for example), others on the contrary recorded painful human and economic losses (United States, Brazil). As the variants follow one another, the good pupils of yesterday become the bad ones of today, so that we do not yet know what should be in the future the best strategies accessible to European countries. Finally, pandemics follow each other but are not the repetition of invariant sequences because viruses and bacteria evolve and recurrently pose new challenges to health officials. It is important that Ministries of Health learn from these episodes, because it is dangerous to delegate the fight against pandemics to market forces.