

## Part 4: Looking to the future

We now come to the final part of the lecture 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.

### 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 are 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hand, certain transactions were explicitly permitted (e.g. excessive derivative trading) or existing regulations were withdrawn (under Clinton, for example, the separation of commercial and investment banking was abolished in the USA), while on the other hand, the regulatory authorities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,
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, 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.

The autumn of 2008 shook the mentioned 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". 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 many 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. 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 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.

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 14<sup>th</sup> 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.

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 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. Fundamental rights and freedoms have been massively interfered with in recent months 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.

### **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. The functional elites 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.

Thank you very much for listening.

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