THE CORONAVIRUS CRISIS AND THE ECONOMIC CRISIS. IS CAPITALISM AT A NEW TURNING POINT?[1]

Daniel DĂIANU
National University of Political and Administrative Studies
Bucharest/Romania

Keywords: capitalism; climate change; economic crisis; fairness; illiberalism; inclusion; inward-looking syndrome; liberal democracy; reforms; pandemic.

Mankind will prevail in the fierce war against the coronavirus, a hidden, treacherous foe that has been attacking randomly and leaving many human deaths behind. The struggle with this pandemic has an end in sight because we have effective weapons to combat it now, such as vaccines which are be used on a grand scale, worldwide.

We will overcome the severe economic downturn as well; but this crisis will leave deep scars, given that economies are witnessing sweeping changes. These changes, adding to tensions and intricate issues and policy dilemmas that date back prior to the Pandemic and the current economic crisis, call for introspection, examination of economies' functioning and a revisiting of public policies.

The financial crisis that erupted a decade ago prodded social scientists and policy-makers to think about serious problems that afflict modern economies. In

[1] This a revised version of the essay that was published in Romanian by Contributors.ro and Hotnews, 14 September 2020

the text below I hook up with ideas that I have expressed in recent years and extrapolate them to the fallout from the current crises.[1]

It may be that the current crises (public health and economic) are harbingers of a new turning point in the evolution of capitalism. History has lessons to learn, although interpretations may vary owing to intellectual propensities, or interest-related biases. This does not invalidate the rationale to revisit critical moments in the evolution of modern capitalism, which can be pretty illuminating as to its technological, economic, and social drivers.

My guiding idea is that, over its history, capitalism has evolved as a social and economic system. This evolution is interlocked with cycles of ideas, of public policies, and institutional change. The concept of 'learning by doing' can be applied to the motion of capitalism, with its ups and downs, windings, yet following a clear-cut evolution over the past hundreds of years – despite dark periods, which include totalitarian regimes and wars. Not to forget the colonial regimes, with their grey and black areas.

A mixed economy took shape over time, in which a public sector and a private sector cohabit, based on market dynamism, entrepreneurship, with the shares held by the two sectors shifting in accordance with historical circumstances and local conditions. This is how capitalism took shape in advanced economies, around the world in general. Modern capitalism has among its core principles the notion of 'equal opportunities'. To what extent reality befits this principle is an open question and is part and parcel of the current quest to re-examine the functioning of capitalism.

The debate that started after the outbreak of the financial crisis is not and should not be, chiefly, about capitalism vs socialism (seen as socialisation/nationalisation of property and extinction of market mechanisms), but about the path of capitalism, of the mixed economy.

There is the experience of communism, a totalitarian regime that should by no means be judged as the distortion of an enlightened project; communism had in

[1] 'Which way goes capitalism' (2009), 'When finance undermines economy and corrodes democracy' (2011); 'Liberal vs. Illiberal Democracy' (2018); 'The New Protectionism' (2017); 'The Coronavirus has laid bare the need to revamp the EU' (2020)

its genes an anti-democratic ideology and unsurmountable structural flaws of its command economy. And there is the experience of National Socialism in Hitler's Germany, of fascism in general. Totalitarianism crushes and humiliates the human being as a being that has the innate right to freedom; it does proclaim and imposes the single thinking/ideology and the single party rule, and it creates monstrosities (see also Hannah Arendt, 'Origins of Totalitarianism', 1951). But capitalism embodiedby unrestrained markets, lack of rules and regulations, by *market fundamentalism*, is itself inimical to the functioning of a market economy, to democracy. History provides irrefutable proofs in both regards.

In my view, the great stake in the current debate, on the future of capitalism, is to safeguard democracy, liberal democracy. This stake in no way diminishes the urgency to deal with climate change as an existential threat.

In what follows I mention characters, ideas and institutions, events, which illustrate key policy and institutional shifts. The choices made provide, I believe, a telling picture. I refer to central banks as a key construct in modern economies, to social security as an institution of major economic and social significance, the paradigm shift after Great Depression (The New Deal) and the Bretton Woods arrangements, the paradigm shift of the 1970s and 1980s, China's economic rise, the Great Recession (the 2008- crisis) and the 'Return of Keynes', climate change as an existential threat, and the 'Return of the State'. Final remarks conclude this essay.

1. CENTRAL BANKS, THE LENDER-OF-LAST-RESORT (LoLR), MORAL HAZARD

Central banks are a fundamental construct of modern banking and capitalism.[1] And I would highlight in this regard the lender of last resort (LoLR) function in

[1] Charles Goodhart provides an excellent presentation of the evolution of central banks (1988). See also Charles Kindleberger (1994), and Nial Ferguson (2009)

particular. Walter Bagehot and Henry Thornton are credited (at mid-19th century) with explaining the need for money market intervention in order to preserve liquidity in circulation and prevent panics (although Bagehot was rather an advocate of *free banking*).

In the USA, things were more complicated, even though Alexander Hamilton, the first United States Secretary of the Treasury, realised that a central bank had been needed ever since the American republic was established. There was no true central bank in the US until 1913, which may be viewed as odd. It took an 'apostle' of financial capitalism, J.P. Morgan, who used his bank, to stem the Financial Panic of 1907. This probably made influential political milieus understand the function of LoLR, which called for an institution as the central bank. The Fed was set up in 1913 as the US central bank.

In Europe, central banks have a much longer history – the Riksbank was founded in Sweden in 1668, the Bank of England in 1694, the Bank of France in 1800, the Bank of Japan in 1882, the Bank of Italy in 1893, the Reichsbank in Germany in 1876 (a descendant of the Bank of Prussia), The National Bank of Romania in 1880, etc. Central banks were originally tasked with financing royal families, their wars and other needs, being subservient to the interests of royal absolutism. Over time, central banks took on complex functions.

That the Great Depression (1929-33) could not be avoided is also the result of policy errors, inter alia the underestimation of the LoLR function. As Milton Friedman and Anne Schwartz (1960) pointed out, during the critical phase of the crisis too little liquidity was injected into the system. Yet, the establishment of the Fed, given the US's ever-increasing role in the global economy – overcoming the UK's share of world GDP in the first half of the last century – was a critical moment in many ways.

Clearly, the LoLR function was seen as no less important that the moral hazard concerns of not a few economists and policy-makers. In current times' terminology, the LoLR is to be seen in conjunction with the market-maker/repair function, as evidenced by Fed and ECB interventions during the Great Recession and the current economic crisis.

Moral hazard can obfuscate a deeper problem than making finance feel that, in the end, whatever it does, someone stands behind it; it is the increasing disconnect between finance and the real economy, its increasing share in corporate profits and in GDP, that can easily be seen as reflecting the extraction of undue rents and a very powerful lobbying power. The reform of finance has to be judged from this perspective too.

2. SOCIAL AND BUSINESS INSURANCE

Another landmark in the institutional build up of capitalism is the introduction of social security elements by Chancellor Otto von Bismarck (in Germany) in 1899. Bismarck was no socialist, as some might think. Yet, he was a lucid statesman, with an innovative thinking, who realised that a risk-mitigating mechanism to protect people is badly needed.

Economic and social insurance, in public and private formats, has played a major role in civilising capitalism and mitigating individual, community, and business risks.

Social security could also be seen as having marked the exit from 19th-century capitalism (so well portrayed in Charles Dickens' novels), with the social emancipation of those living in appalling, often subhuman conditions, *Die Untertanen*, and the development of industry and international trade.

In the 20th century, particularly in Europe, social security moved ahead, favouring economic and social progress. In the United States, President Franklin Delano Roosevelt's administration was concerned with developing social security mechanisms based on what the Great Depression had revealed; but the American social security system is considerably less developed than in Europe.

Social security is a mechanism for diminishing adjustment costs and alleviating the after-effects of a deep recession.

The great challenge to social security, or social assistance, is not to lead to excessive, addictive, aid dependence – which is often reflected by wide and growing public debts and, eventually, in the crisis of the "welfare state". Moreover, one must distinguish between high social expenditure, yet which honours a social contract that is not conducive to budget crises (as in European Nordic states), and budgets with large deficits and public debts that illustrate a welfare state in deep trouble (as in southern euro area member states). This is an issue facing not a few advanced economies, which will be accentuated as a public policy dilemma by the pandemic effects and the ongoing severe economic crisis, as well as challenges posed by climate change.

Insurance plays a well-defined role in markets. Yet, if it turns into purely speculative instruments, such as credit default swaps that are not backed by an underlying asset (naked CDS), it can fuel uncertainty and inflict great damage. The financial crisis, that was unleashed by Lehman Brothers'bankruptcy, brought the large-scale speculative use of CDS to the fore, which is a *de facto* degradation of their economic function.

3. *THE NEW DEAL* AND KEYNESIAN POLICIES: A PARADIGM SHIFT!

Another policy and institutional milestone was The New Deal, which was introduced in the wake of the Great Depression (1929-33) by President Franklin Delano Roosevelt. His administration grasped the importance of reforming public policies and mechanisms (including the above-mentioned budding social insurance system) in order to tackle social and economic big problems.

Regulations were introduced in finance with a major legislative novelty, The Glass Steagall Act that was enacted in 1933. Investment banks were separated from retail banks, most banks turned regional – an architecture that resonates with what Andrew Haldane and May proposed in 2011 in order to shape inter-connectedness as a means to contain contagion. There was a novel approach to Fed's activity, new institutions to prop up economic development (ex: Tennessee Valley Authority, as a financial development institution, including its planning function). State intervention was required and strengthened by the preparations for entering World War Two (WW2).

The Great Depression and National Socialism in Germany, his mefiance vis-à-vis corporatist structures and his thinking in line with the Austrian School, made Joseph Schumpeter be skeptical about the future of capitalism ("Capitalism, Socialism and Democracy"); he saw whatever was remote from completely free markets as leading to socialism.[1] At Cambridge (UK), a powerful Marxian current became vocal in the likes of Maurice Dobb, Joan Robinson, Piero Sraffa a. o. Oskar Lange and Michał Kalecki advocated socialism, yet they did not think in terms of a command economy, but rather of a 'market socialism' (as attempted in former Yugoslavia) and this led to a fascinating public debate, together with Dobb, versus Friedrich von Hayek and Ludwig von Mises on *the Economic Calculation*.[2] It can be presumed that Schumpeter was not acquainted with all the horrors of Stalinism, since he passed on in 1950 – long before the collapse of communism in 1989. He did not even get the chance to witness the rebuilt Europe in the aftermath of WW2.

The big overhaul of capitalism that started with the New Deal in the United States and what further evolved institutionally and policy-wise in post-war Europe was a major turning point for capitalism. Economic development in the West after WW2 fostered market reforms in the East later on (prior to 1989, in Hungary and Poland), and prompted the fall of communism, eventually.

In Europe, Keynesianism, as a school of thought and as the basis for policies to combat deep recessions, was preceded by Keynesian practices. Public works were undertaken in Sweden and in the United Kingdom before Keynes' Magnum Opus (1936) went to print. And, in the aftermath of WW2, economic reconstruction policies marked a so-called "Golden Age", either in France, home to *economic dirigisme* (the Plan Commission created by General Charles de Gaulle in 1946 and led initially by Jean Monnet, one of the founding fathers of the EU), or in Italy via IRI (Istituto per la Ricostruzione Industriale, a remnant of the fascist regime, but that lasted half a century after the war was over), in Federal Germany with its Ordnungspolitik, a policy based on rules and neo-corporatism that brought together the social partners' positions (*Mitbestimmung*/co-

[1] His presentation at the American Economic Association in 1949

[2] A volume that brings together the main protagonists of this lively debate, with some of their key contributions, is Alec Nove and Mario Nuti (1972)

determination.[1] Ludwig Erhard, one of the intellectual fathers of Ordungspolitik, is a revered name in Germany, along with that of Chancellor Konrad Adenauer.

In the United States, in Europe, intellectual elites graduated from a number of universities promoting professional excellency, meritocracy (the Ivy League in the US on the East coast, UCLA, Stanford, Berkeley etc. on the West coast, Chicago University and Northwestern University close to the Great Lakes, in the North). Although these days no few voices criticise elitist universities (such as ENA in France), which are seen as representative for an 'Establishment', and which would reproduce political and social strata 'cut-off' from the rest of society, one can easily overshoot in making judgements. A society needs elites, competent people. The fact that, not unfrequently, networks operate and reproduce themselves, appear to have become impervious to outsiders, should not lead to throwing the baby out with the bathwater. This does not mean that the elites cannot make monumental mistakes[2], as was the case with finance deregulation, with promoting boundless globalisation - which both fuelled scepticism towards experts, a 'crisis of expertise'.

It is worth mentioning here the confusion, the commotion created by slipping into an area of debate and confrontation for power at any cost, in which moral yardsticks are lost; truth is perverted, fake news are deliberately spread out (much facilitated by the Internet). In a work with a powerful message Michiko Kakutani cites Hannah Arendt (1951): 'The ideal subject of totalitarian rule is not the convinced Nazi or the convinced communist, but people for whom the distinction between fact and fiction (i.e. the reality of experience) and the distinction between true and false (i.e. the standards of thought) no longer exist' (2018, p.11). Since truth is fundamental to democracy, this trend should worry us to the highest degree.

[1] For an analysis of postwar economic reconstruction in western economies see also Rudiger Dornbusch, Wilhelm Noelling and Richard Layard (ed.)(1993)

[2] 'The Death of Expertise' in the overdramatized words of Tom Nichols (2017)

4. BRETTON WOODS AND THE MULTILATERAL SYSTEM

During WW2 a system for regulating international economic relations based on multilateralism was designed and subsequently put in place – in time, the world witnessed the founding of the United Nations (that succeeded the League of Nations), the IMF, the World Bank, regional development banks (for Latin America, Asia, Africa), GATT (replaced subsequently by the WTO), etc..
John Maynard Keynes was the prominent brain in the talks at the US town that lent its name to the Bretton Woods Arrangements. These arrangements pursued a system of multilateral ordering international of economic and financial relations, with relative stability of exchange rates, management of capital movements to support the efficacy of monetary policies (a combination of goals that is defined conceptually by the so called 'impossible trinity' in macroeconomic policy: the impossibility to achieve free movement of capital, exchange rate stability and autonomous monetary policy simultaneously).
The cornerstone of the Bretton Arrangements was the US dollar as the world's major reserve currency and which was tied to gold. What mattered also enormously eas the US economic and military supremacy in the world, in which Pax Americana had superseded Pax Britannica – despite a communist subsystem which was dominated, until China's 'emancipation', by the USSR.
When the US became over-stretched (to use Paul Kennedy's concept) globally, owing to multiple wars and the erosion of economic supremacy, the US dollar was cut off from gold (in 1971) and the switch to flexible exchange rates was made, thus boosting financial transactions and fostering the development of financial arbitraging instruments. Seeds were planted that germinated in the over-financialization of economies[1] and the burgeoning of financial crises.

[1] For the enormous growth of the financial sector in recent decades see Robin Greenwood and David Scharfstein (2015), Thomas Philippon and Ariell Resef (2015). Geenwood and Scharfstein show that while finance made 2.8% of US GDP in 1950, it contributed to 8.3% in 2006. The share of finance in corporate profits rose much more over the same period of time.

There is a debate on whether to revert to a more stable system, similar to the Bretton Woods arrangements. Yet the crisis of globalisation and the resurgence of nationalism, a spreading 'inward looking' syndrome, inter alia, do not favour a new Bretton Woods regime. It is difficult to return to a system resembling that created after WW2. The rise of China as a great geopolitical and economic rival, the nature of its public governance model, big challenges to national security in the West, have changed the geopolitical equation in the world radically.
Yet, there are global commons to be provided - like dealing with climate change and pandemics. Therefore, it is essential to consider areas of cooperation among geopolitical rivals.

5.THE PARADIGM SHIFT OF THE 70s-80s: LIBERALISATION/GLOBALISATION AND 'EFFICIENT MARKETS'

The 70s and 80s were marked by discontent vis-à-vis the excesses of Keynesian practices. There were also episodes of very high inflation, although major economies witnessed deep recessions – remember *stagflation*, as a combination of high inflation and recession Monetarism came to the fore in central bank practices at that time. Paul Volcker at the helm of the Fed curbed double-digit inflation in the US, be it at the cost of very high unemployment – which, in a way, was at odds with the Fed Employment Act of 1946 (reformed in 1977), which mandated the central bank to pursue high employment as well.
The monetarist school of Milton Friedman, Karl Brunner, Allan Meltzer, etc. set the stage for the rise of theRatex (rational expectations) school of thought, the latter having Robert Lucas and Thomas Sargent as leading figures and based on the assumption of quasi-perfect markets and the uselessness of stabilisation interventions on the part of the government. *The Great Moderation* years (two decades of subdued inflation and steady growth, ahead of the Great Recession) seemed to score decisively in favour of this approach. But Ratex proved its limits, for markets are not perfect, just like the optimisation algorithms on the basis of which individuals and firms operate.

Behavioural economics (Herbert Simon as a forerunner with his 'bounded rationality', Daniel Kahneman, Robert Shiller, Richard Thaler, Amos Tversky etc.) came with major nuances regarding how people make decisions, with ingredients such as affection, simple rules, emotions, empathy, loyalty, individual and group identities being pretty important in the decision-making process.

But human being's acquisitive nature (defining the Homo Oeconomicus, which is not at odds with the Homo Faber) is arguably not dented by behavioural economics in understanding its habits and propensities. Under the same conditions, most people choose to have more rather than less. That is why it is difficult to alter the logic of economic activity (net revenue/profit maximisation), to make markets internalise externalities that they do not readily perceive, or are forced one way or another to take into account (like imposing a Pigou tax). It is not simple either to redefine welfare as a statistical and accounting methodology; markets are used to aggregates of economic activity that increase ceaselessly, as much as possible, even if macroeconomic corrections are often asked for by widening deficits and large debt stocks. All this makes us think that markets do not accept (yet?) that some people might be more content with less, even though such a mindset might be tantamount to rescuing the human species and a proper surrounding habitat. There is a market myopia judged in a broad sense, which further weakens highly sophisticated models that can be invalidated by non-liniarities.[1]

Inflation targeting (the monetary policy regime implemented in advanced economies in the past two decades) replaced the control over monetary aggregates, while the focus on price stability appears to have put central banks on autopilot. Inflation targeting uses models that work with output gap (potential GDP) as a key concept (that implies a trade-off between inflation and unemployment), it resorts to neo-Keynesian type models (Jordi Galli, Richard Clarida).

---

[1] As was the case with models used by the Long Term Capital Management/LTCM hedge fund; fearing a financial market meltdown, the Fed "coordinated" the bail-out of LTCM in 1998.

The fall of the Berlin Wall, of communism, system augmented a general frame of mind, stimulated globalisation, the belief that the world has come to 'the end of history', as Francis Fukuyama put it (1990).
Nevertheless, the less benign side of globalisation and financialisation of systems were blatantly overlooked. The deregulation of finance, *the light touch regulation regime* (that started with the Big Bang in the City in 1986 and continued with the rescinding of Glass Steagall Act in the US in 1999) could be branded as one of the most harmful policy capture in advanced economies, with global repercussions, and which enhanced the Great Recession.

6.CHINA'S AWAKENING: DENG XIAO PING, ECONOMIC REFORMS, STATE CAPITALISM AND A MONOLITHIC POLITICAL STRUCTURE

From 1978 onwards, under Deng Xiao Ping's leadership, China embarked on a path of market reforms, which ensured swift and steady economic progress and made the country a global power in a few decades time. Its inhabitants and enormous natural resources, the past decades' industrial development and remarkable technological advance have made China a geopolitical rival of the US, of the Western world. Yet, China has stuck to a monolithic political structure and projects an illiberal political model, a form of a broadly-based state capitalism, despite the domestic entrepreneurial effervescence and the development of remarkable private companies.
There is an intense ideological competition, pending responses from the US and Europe (the EU). However much some claim that China does not seek to provide an alternative, that its model fits its own development needs and not much else (Kishore Mahbubani), a competition is underway as the Asian giant is expanding its interests worldwide, in Europe included. China also seeks to set up a network of international institutions, presumably as an alternative to the Bretton Woods arrangements that are seen to be too much under western influence.

Competition with China is ever broader, be it geopolitical and military (security-related: on the ground, in space, in the oceans), technological, and economic.
In this context, it is easy to see why the EU aims at achieving an economic and technological 'sovereignty', as a response to the new global geopolitical game – not least also because of the erosion of multilateralism in international economic relations, the apparent demise of globalisation as it has been practiced over the past decades, as well as the strains in transatlantic relations.

7. *THE GREAT RECESSION*: GIVING UP *LIGHT TOUCH REGULATION*, 'KEYNES' RETURN', CENTRAL BANKS' USE OF UNCONVENTIONAL OPERATIONS (QE)

The Great Recession, which broke out in 2008, marked a wake-up call and an attempt to return to a regulated financial industry (giving up *light touch regulation*). This was encouraged by insights from the analytical work of Alexandre Lamfalussy, Anat Admati and Martin Hellwig, and other kindred spirits, from rediscovering Hyman Minsky and Charles Kindleberger's analyses, accepting that what Robert Shiller, Joseph Stiglitz, etc. have claimed for years is closer to reality than the views of Eugene Fama, Robert Black, Myron Scholes etc.
The recourse to quantitative easing (QE) unfroze financial markets and, in the euro area, rescued (via the ECB) the single currency. But I share the opinion that QE is a sort of "kicking the can down the road", although arguments noticing a dramatic decrease of "the natural rate of interest" (Knut Wicksell's concept) and, relatedly, of the policy rates of central banks, are to be taken into account: demography, falling productivity gains (Robert Gordon), secular stagnation (Larry Summers, who revived the concept used by Alvin Hansen back in 1937), a shortage of safe assets (Robert Caballero and Emmanuel Farhi), etc. Olivier Blanchard speaks about a new normal in monetary policy, which would allow the financing of larger public debts (as compared to Kenneth Rogoff and

Carmen Reinhart' 90%-of-GDP ceiling). Rogoff even advocates negative nominal interest rates.

This is a time when both theory and practice are in full display of creativity, but also a time of confusion and puzzles mingled with great conundrums and uncertainties; as some say, policies are moving in uncharted territories. Disconcerting for many is the flattening of the Phillips curve, the persistence of very low inflation although, in the US, joblessness was at a historical low until the Covid-19 hit.

The Fed has announced a new monetary policy framework, which targets average inflation over time allowing inflation to overshoot the target without a response from the central bank. At the same time, the unemployment rate would not trigger a policy reaction as long as inflationary pressures are not manifest; monetary policy would focus on stability, with income distribution as one of its benchmarks. In a way, it is a return to the 1946 mandate. The ECB and other central banks are also re-examining their monetary policy framework.

A critical policy issue is whether central banks can target several objectives – as there is also the desire to take climate change into account as well. By the way, taking into account climate change is a stated objective of the ECB. As Isabel Schnabel put it "when markets fail, there is need for collective action" (2020).

Central banks cannot be a factotum, and this is not only because they lack sufficient independent instruments (the Tinbergen rule) in pursuing several objectives. But central banks need to be responsive to huge challenges and, in addition, they have to adapt their models and practices in view of flaws that these very models have glaringly revealed.[1] Central banks cannot escape the spectre of commercial banks being increasingly exposed to industries that would fail the acid test of greening themselves. This is why green bonds as collateral are gradually finding their way into central banks' mandates. Even the conduct of monetary policy may have to consider climate change –in the sense of an 'optimal policy rate'.

[1] A major flaw that these models have revealed is that they focused almost exclusively on price stability; and price stability does not entail financial stability automatically.

Some voices raise the issue of central bank independence, not only in virtue of a perceived 'fiscal dominance' that might lead to monetisation of deficits (the new Monetary Theory is looming highly in this respect), which is a path riddled with significant risks. For, thinking that high inflation would solve the issue of over-indebtedness opens the door to all sorts of troubles.

7.1. Climate change as an existential threat

The threat of climate change is not new. Nevertheless, a technology-driven optimism prevailed, with the Club of Rome's messages, decades ago, being light-heartedly put aside and (MIT-based) Jay Forrester's global dynamics models likewise. Public policies remained unmoved even when Nicholas Stern, a British high-ranking official (who served as Chief Economist of the EBRD, then of the World Bank), released a report that stirred rumours (2007), as did the statement it contained that environmental issues and risks are the most blatant "market failure" in history. The past years' sequence of events, wildfires, the melting of the ice cap, floods, the dramatically widespread and fast changes in temperature etc., pinpoint a dangerous future for mankind, with a possible extinction of humans if nothing is done to rescue ourselves.

This something means to change public policies, bolster public budgets that would allow timely interventions in case of emergency as well as systematic actions that would help face major adverse shocks in decent conditions and increase economic and social systems' resilience and versatility. People's behaviour needs to change (though man's acquisitive nature is a major hurdle), industries need to cut back on their carbon emissions and our relationship with Nature must change.

It is refreshing to see the policy stance of the new Europe Commission, of EU institutions in general. The New Generation Plan is a step in the right direction and President Ursula von der Leyen speech in the EU Parliament showed that, in Europe, politicians and people at large take climate change very seriously, as do most Americans.[1] The new American Administration, under Joseph Biden, has announced that the US would rejoin the Paris talks on climate change, which is an ominous event. And the Fed, the US central bank, has announced on December 15th 2020 that it will join the Network for the Greening of the Financial System (NGFS).

IFIs too are gearing to the forefront of action to deal with climate change. Like her counterparts in Europe, Kristalina Georgieva is crystal clear about the need to combat carbon emission and revisit public policies to this end; a carbon tax implemented globally would be a step forward.[2]

Furthermore, a global accord on climate change should be reached, underpinned by both the US and China, while fossil fuel dependence must be reduced.

7.2. Covid-19, the economic crisis, artificial intelligence and labour market redundancies

The healthcare crisis, the partial lockdowns revealed the possibility for many companies, public institutions to continue functioning with a considerable reduction in the number of employees. Homeworking, digitalisation, new technologies in general, entail sweeping changes to the activity of many firms, leaving their hallmark on the future structure of labour market. This impact is to be seen in the context of an increasing number of losers due to unrestrained globalization.[3]

The economic and healthcare crises are forcing companies to streamline their operations, cut workforce, not only temporarily. If we add the impact of

---

[1] Frans Timmermans's words that he may not be able to look into his children's eyed in the not too distant future unless bold action is taken in order to deal with climate change is pretty telling (Bloomberg interview).

[2] Numerous famous economists signed an open letter in favor of a Pigou tax implemented globally in order to combat carbon emission, Wall Street Journal, 19 January, 2019

[3] David Autor has revealing studies on globalization and the rising number of losers in advanced economies, the decay of industrial cities and why this matters for local and national politics.

automation, of artificial intelligence, we come to understand a very severe joint impact on the labour market. Mass redundancies in the labour market will heighten social issues and structural unemployment. This a reason why the introduction of minimum guaranteed wages is experimented as a means to prevent social tensions going to the extreme.

The financing of a minimum guaranteed income could be done through a 'taxation of robots' (as some, including Bill Gates, have advocated) which would lead to an income redistribution from those using robotics (and displacing human labour) to those losing their jobs; the more automated a lucrative business, the more taxed it will this be in absolute terms. Such ideas are meaningful as long as we strive to avoid facing scores of jobless, desperate people on the rise, serious social anomies.[1]

8. 'THE RETURN OF THE STATE' – A ONE-OFF OR LASTING TREND?

The Covid-19 public health crisis, the severe economic crisis and a potentially broad-based social crisis in the years to come, all of them seen as major national security concerns, have triggered a tendency for a stronger presence (intervention) of the State in the economy, in a bid to provide safeguards and provide key public goods: to make healthcare systems (which become national security concerns) more robust/resilient, to promote inclusion, to face geopolitical challenges, to promote or support economic 'champions', etc.

In Europe, more resources in the EU budget are envisaged to be collected via own resources (new taxes – carbon tax, digital tax, possibly a tax on financial transactions, etc.) by fighting tax evasion and tax avoidance. EU Commissioner Paolo Gentiloni is adamant in this respect not only vis-à-vis the abusive, incorrect practices of telecom giants; he claims (and this is presumably the EU

[1] See also Anna Case and Angus Deaton: 'Deaths of despair and the Future of Capitalism' (2020)

view as well) that those who are the big winners of the health crisis and of implementing new technologies should participate more in the joint fight against the coronavirus and mitigate the pains of the economic crisis, have an adequate contribution to Member States' budgets.

Covid-19 and the severe economic crisis have called for massive interventions on the part of both governments and central banks. The tools of this intervention feature a temporary component which shows up in in larger budget deficits and central banks' special operations, but some of the new measures are quite likely to stay on geopolitical and security grounds, or as they are motivated by the need to address economic and social issues, to pursue industrial policies and to counteract climate change effects.

Strategic foresight at the macro level will probably acquire higher significance and, quite likely, appropriate institutional settings. The EU Commissioner Maros Sefcovic seems to have taken on a greater role as regards the strategic foresight given the huge challenges facing the EU; he announced that he would recommend Member States to develop strategic foresight capacity - which should not be mistaken for either forecast analyses or policy planning conducted by public institutions in traditional terms. A very intricate analytical effort is to be taken, presumably, to a new, higher strategic level.

France has announced a resuscitation of the 'Plan Commission (Commissariat du Plan)', as part of a strategic foresight and guidance of its investment policy.[1] Other countries will probably follow suit, and even the EU will develop such a capacity. This, it makes sense to assume, would collide with the current stance on state aid, if the goals of fostering European champions is decided upon as a means to underpin sectors that promote innovation and technological excellence. It is to be noted here the unhappy experience with the Lisbon Agenda and the 2020 Agenda. The United Kingdom keeps to a similar path, i.e. the latest conservative governments announced industrial policy programmes.

New Deal-type measures will likely emerge in the United States too against the backdrop of the geopolitical/technological/economic competition with China,

[1] See also Jean Pisani Ferry, 2020

the economic competition with the EU. Trade barriers may also have to be judged in the same framework.

The 'return of the State' comes, nevertheless, with a risk that ought to be considered: as markets alone can neither solve social issues, nor surmount economic crises, a considerable higher public support will not automatically ensure lasting solutions (large public debts are telling evidence of this fact). We need smart states that should address market failures and create public goods on a necessary scale.[1] But, for this to happen, states need robust budgets, higher public revenues. This implies combating tax evasion and tax avoidance resolutely, punishing unethical corporate conduct firmly. It also demands diminishing undue rents that some industries (including finance) extract from the economy. How to achieve this is a big question as vested interest hold immense political clout and swaying power.

We need an agile and smart state that, with no countless resources, should do more by putting in place policies to get more people out of servitude to (public) social security, to restore dignity for each person and the feeling that she is an active player of society, not forsaken by it.

There is a need for a pragmatic approach to public policies, for accountability, for rediscovering the middle ground represented by 'community' and 'reciprocity' (mutual rights and obligations), for belonging to more than oneself, loyalty, dignity, respect, moral values in general.[2] It is not simple, yet we need to find the right path and avoid further setbacks.

The world is changing, capitalism is in the throes of major changes by the force of events, and public policies are being adjusted along the road, frequently chaotically and diffidently. We will likely go through a transition period, an inter-regnum with a lot of mayhem and mushrooming conflicts – with global governance rules eroding markedly, with survival of the fittest -type reactions. But capitalism will quite likely change.

---

[1] Mariana Mazucatto argues that we need 'entrepreneurial states' (2013)

[2] See also Paul Collier (The Future of Capitalism, 2018), Raghuram Rajan (2020), Jean Tirole (Economics for the Common Good), Samuel Bowles (The Moral Economy), Paul Mason (2015), Martin Sandbu (2020)

Academic textbooks will in time capture these developments. Agustín Carsten noted that textbooks had become obsolete when examining the macroeconomic policy in emerging economies (2019). The same may hold true, on a much larger scale, for the interpretation of the path of capitalism in the years to come. It is difficult to make predictions in light of extraordinary uncertainties.[1] But avenues of change are looming at the horizon.

9. WHICH WAY GOES CAPITALISM?

Challenges for capitalism originate not only in idiosyncratic inclinations of some leaders and in vested interests, in sheer struggles for power; they have much deeper roots such as: unrestrained globalisation and *market fundamentalism*, neglect of social aspects (exclusion and lack of fairness), market abuse perpetrated by large players (firms) including massive tax dodging, the lack of proper regulations (especially in finance, which continues to extract undue rents), disregard of the impact of climate change, inability to reform the EU[2] etc.
There are stark facts and dynamics underway that will quite likely define capitalism in the years to come, such as:

- governments will be more present in economic life for the sake of providing more public goods; state presence is to be seen in conjunction with the need to deal with climate change and pandemics (public health becomes a national security concern).
- industrial policies will be on the rise. Industrial policies may be facilitated by equity/shares that governments may acquire in firms that are rescued. In the EU, industrial policies are implied by conditional disbursement of funds from The Plan for recovery and resilience, in order to foster 'greening' and digitalization of economies;
- tax regimes will be revisited to make them more fair
- inclusion and fairness will acquire more prominence in public policies.

[1] What Mervyn King calls 'radical uncertainty' (2016)
[2] In spite of recommendations made by various reports over the years (see The Sapir and the Monti reports, which were preceded by the MacDougall Report)

As to concrete features and dynamics it pays to pose and try to answer some relevant questions.

Is there an ideal model?

The Nordic model is eye catching. This model relies on a very high level of economic and social development, with massive redistribution of resources through the public budget, amid strong and innovative economies. The Nordics also went through episodes of national crises: Sweden a few decades ago, Finland after the collapse of the Soviet system owing to its high reliance on Eastern markets, then on Nokia. But there were timely responses and reform measures, a high degree of adaptability. The Nordics (including the Baltic States) are models of excellence in educational systems. Nordic societies reveal a lot of modesty in politicians' conduct and less corruption as against other societies. But this model is not immune to social tensions, to difficulties in integrating immigrants.
Germany has, besides features of the Nordic model, an impressive industrial power. But there is also fallibility, as is only natural, and there are deplorable cases of corporate misconduct (Wirecard, the Volkswagen carbon emissions scandal, etc.).
The South of the EU is different in many ways, sometimes it seems entrenched in inertial structures – though economic progress has been made.

An EU model?

There is an all-encompassing model epitomized by EU's principles and values, and which is embraced by the political families that are imbued with the liberal spirit in its deepest meaning. From this perspective, Christian Democrats/People's Parties, Social Democrats, the parties grouped in the New Europe family in the European Parliament, conservatives who accept the checks and balances mechanism and fundamental freedoms, belong to an extended political family that supports liberal democracy. But this all-encompassing model has flaws that derive from the incompleteness of the EU, of the euro area, and the neo-liberalism that underpins the Single Market.

The European (EU) model faces big challenges that are reflected by illiberal propensities, by the rise of extremist groups and the assault of demagogues and populists, the crisis of 'social paternalism' and spreading cynicism. How to reform its functioning, how to deal with economic divergence in the euro area, are formidable challenges for European leaders.

Issuing collective bonds in order to fund the Plan of recovery and resilience of 750 Billion euros is a major step forward (some call it a Hamiltonian moment), and the ECB proposal to make it permanent has a deep meaning – as the euro area badly needs a safe asset (it needs risk sharing mechanisms, which involve fiscal arrangements). Moreover, climate change, as an existential threat, poses an enormous challenge for the cohesion of the EU.

Markets, States, Community

The debate should be about the nature of capitalism, whether markets can be reined in so that inclusion and fairness, income distribution be met as policy objectives. Branko Milanovici, Paul Mason, Mariana Mazzucato, Fareed Zakaria, and others are pointing the finger at the need to revamp capitalism, as do Raghuram Rajan, Paul Collier and Martin Sandbu do when they emphsize the need to rediscover the middle ground, *the community*. Samuel Bowles touches a relevant chord when he says that not only incentives are needed to shape individuals' conduct that society needs 'good citizens'. This brings us to the issue of ethical conduct, be it in the corporate world or among people at large. This is an issue that Adam Smith pointed out in 'The Theory of Moral Sentiments' and closer to our days, the Nobel laureates Kenneth Arrow and Amartya Sen strongly highlight.

Dealing with companies that abuse both markets and society

Industries have to be properly regulated and undue rents need to be downsized, if not eliminated.

Massive tax evasion and avoidance is a shame, scourge, of our times, especially since public budgets are under so much strain and income distribution has gotten so skewed. Taxes may have to rise, tax regimes have to be fair.
Carbon tax is a must both internationally and nationally, as are digital taxes on giant companies that pay nothing in numerous countries where they operate.
Conditioning bail-outs on higher future taxes does make sense as the obnoxious cycle of privatizing social benefits and socializing private losses has to be stopped; equity may be taken in companies that are rescued during the current crisis.[1]

What happens with Finance?

Finance needs to continue to reform itself. Banks are larger now and their revenues (that includes the pay of management and staff) continue to be disproportionately large. That their net profits are diminished by ECB's QE is a different matter for discussion.
Finance will have to change not least because of new technologies, if digitalization. Banks feel the punch of shadow banking, while capital markets, too, are under the impact of new technologies.
The regulation and supervision of finance will have to consider new systemic risks, those that come from capital markets and the advent of digital currencies.
One way or another, financial services will have to cater more to the needs of the real economy.
Central banks consider climate change as an increasing systemic risk and income distribution is also on their radars. To what extent that fits into the traditional mandate of central banks will be heavily debated. But there are strong arguments that push central banks to change their policy frameworks.

The social responsibility of the corporate world

[1] See also Mariana Mazzucato (2020)

When it comes to the corporate world, it has long way to go to ditch its seemingly still prevailing philosophy: a conduct that fits the view that economic logic is amoral.

The shareholder vs. stakeholder distinction should not be a formal one, and what is called *corporate social responsibility* should not be empty rhetoric, a mere object of study in business schools.

The American Business Roundtable, that groups some of the largest US firms, has spoken about the need to consider all stakeholders in their operations (a statement of August 2019). How much is this a candid acknowledgement of the distance between what Big Business claims and what it practices is still to be seen.

Big Pharma, that is involved in the frantic search to discover effective treatment and vaccines to combat Covid-19 need to be restrained with the prices they charge, not only on moral grounds, but also in view of the funding they get from governments – a point strongly made by Mariana Mazucato (2020).

The threat of climate change may speed up a transformational attitude, as people would be more picky in their preferences. As central banks become so serious about climate change, companies need to heed to it too; if they do not, not a few of them will perish.

Income distribution and fairness

Brexit and the Trump phenomenon in the United States stemmed also from a 'reality denial' of many political leaders. The Third Way promoted by Bill Clinton, Tony Blair and Gerhard Schröder etc, with Anthony Giddens (1998) as the academic guru, was not the way out of the woods. You do not have to share Thomas Piketty, Emmanuel Saez, Gabriel Zucman and others' outlook to see that there is something valid in what they say concerning income distribution.

The increasing attention central banks and IFIs give to income distribution is more than relevant in this regard.[1]

An increasing social problematique; the role of education

The social issue will grow more difficult to deal with and this is why, as mentioned above, there is talk in the EU about guaranteed minimum wages. But, in this respect, there is a risk of increasing difficulties of the welfare state.
A big question is how to stop the jobless from growing in number. Even if, supposedly, guaranteed income would eliminate the spectre of social riots. Not incidentally, *inclusion* is a key concept, which is underscored by international financial institutions as well. Education systems are key in this regard. And better public education is a must; for only good private education and healthcare arrangements would deepen social and political fractures.
Social and economic dynamics will be more tense if the middle class is increasingly eroded, if new technologies displace large groups of people from the labour market.
An entire society cannot turn into a Silicon Valley. A 'start up nation' is an exciting catchword and one might say that Israel, for instance, would come close to something like this in an inspirational manner (because this country has a density of mathematicians, physicists, engineers rarely seen in the world). However, it is difficult for economies, societies, to turn into 'scientific-technological complexes' (to paraphrase Dwight Eisenhower and his 'military-industrial complex') within a relevant timeframe; I do not even think this is possible. But it takes a 'revolution', sweeping changes in educational systems to provide equal opportunities to most youth, to all people.

[1] Noticeably, a recent IMF working paper submits a changed Taylor rule that would include the level of wages among its parameters (Niels Jakob Hansen and Rui Mano, 2020)

Public debts and fiscal sustainability

There is also the issue of mounting public debt (massively fuelled by the pandemic-induced economic crisis), of burdening the future generations, which can turn into a clash between generations, with political implications and an impact on public policies.
Taxation of property and wealth, as advocated by some economists, may be seen from this perspective, of dwindling chances for many youngsters to have the well-being their parents enjoyed. Climate change adds further anxiety and potential burdens to national budgets.

Public health and education as national security concerns

Public health and education become national security concerns, calling for higher budgetary resources. Governments all over the world are concerned about finding budgetary resources to deal with present and future challenges. Strategic thinking will be subject to reassessment from this perspective.

Global commons are needed

Global issues cannot be underplayed. Not only because there is a geopolitical competition for resources and supremacy, but also because we all face the same global challenges, among which climate change is paramount; other challenges include the fate of very poor countries (that are not few), large disparities in economic and social development around the world, fighting pandemics, etc.

Rediscovering Truth is a must

We need to rediscover Truth in our lives, to fight fake news, mass manipulation. Sliding towards an area of debate and battle for power where moral milestones are lost, where truth is perverted by replacing facts with fiction, undermines the democracy in the end. Truth is indispensable to democracy, and this tendency to distort, to pervert, should make us worry to the highest degree. This is the only way to combat boundless populism and demagoguery, congenital lies in some politicians' conduct.

Strategic alliances are needed between those who believe in moral values and what a society can offer, combining economic freedom with the need for public goods, with empathy, compassion, solidarity. Just as markets alone cannot solve the problems of society, an omnipotent state, with an overwhelming public sector, is not the solution for the ills of society.

FINAL REMARKS

The in-depth discussion is not and should not be capitalism vs. socialism. For this counter-position is more than a hyper-simplification, it is a distortion of the substance of the big debate. The discussion should be about the future of capitalism, of the mixed economy and how we can tackle climate change as an existential threat better, as well as other big challenges –like pandemics.

The avenue that deserves to be explored in rethinking capitalism would have to combine the virtues of economic freedom, of entrepreneurship with the need to nurture social cohesion, human being's longing as a social being, as a member of a community (to distinguish it from collectivism). An increasing number of social scientists rightly emphasize[1] the need to partake in the community, the social sphere, the civic values, that we need open mindedness, pragmatism in public policies, a rejection of policy fundamentalism.

The stakes are much higher than a battle of approaches between political families, political philosophies and schools of thought; it is about the fate of democracy, because if the number of losers in economic competition is ever higher, extremist groups will gain the upper hand in politics. Rearing its ugly head is the spectre of authoritarianism, of illiberal capitalism, which is already a force in action, with an impact at the polls, that should not be underplayed.

[1] Raghuram Rajan says that "if we want to save the state and markets we need to rediscover communities" (2020)

If we are not lucid, mindful of menacing in-depth trends, if we do not change public policies, skies will fall down upon us, overwhelm us. Xenophobia, chauvinism, growing racism will open the door to more authoritarian, illiberal tendencies, fuelled by social and political anger, as well as by violence. The impact of climate change and the threat of other pandemics may, ironically, reinforce temptations to use authoritarian means in public governance.

The great, historical stake is, therefore, to save liberalism in its deepest sense (which defines democratic parties alike, left and right of the political scene), liberal democracy, checks and balances, human dignity, the rule of law, the belief that good ultimately prevails, that human ingenuity can be guided towards noble ends and save us all, both individuals and the society as a whole.

It goes without saying that by making the assertion that the debate on the future of capitalism is how to save liberal democracy, in no way diminishes the overriding challenge of dealing with climate change as an existential threat, as well as preparing us all better to tackle future pandemics and other big challenges.

REFERENCES

- Admati, Anat and Hellwig Martin. 2013. *The Bankers'' New Clothes. What is Wrong with Banking and What to Do about It*. Princeton: Princeton University Press.
- Arendt, Hannah. 1951. *The Origins of Totalitarianism*. New York: Houghfton Mifflin Harcourt.
- Autor, David. 2019. "Work of the past, work of the future". *VoxEu*. March 19. https://voxeu.org/article/work-past-work-future .
- Baldwin, Richard and Coen Teulings. 2016. "Secular Stagnation: facts, causes, and cures – a new Vox eBook". *VoxEu*. September 10. https://voxeu.org/article/secular-stagnation-facts-causes-and-cures-new-vox-ebook .

- Blanchard, Olivier. 2019. "Public Debt and Low Interest rates", Presidential Lecture, AEA (January, 2019). *American Economic Review*, Vol. 109, No.4 (April, 2019): 1197-1229.
- Bowles, Samuel. 2016. *The Moral Economy. Why Good Incentives are No Substitute for Good Citizes*. New Haven: Yale University Press.
- Bussolo, Maurizio, Maria Davalos, Vito Peregrine, and Ramya Sundaram. 2018. *Toward A New Social Contract*, The World Bank Group. Washington DC.
- Caballero, Ricardo, and Emmanuel Farhi. 2014. "On the role of safe assets shortage in secular stagnation", *VoxEu*. August 11. https://voxeu.org/article/role-safe-asset-shortages-secular-stagnation .
- Clarida, Richard, Jordi Gali and Mark Getler. 1999. "The Science of Monetary Polocy: a New Keynesian Perspective", *The Journal of Economic Perspectives*, Vol.XXXVII (December, 1999): 1661-1707
- Carstens, Agustin. 2019. "Exchange rates and monetary policy frameworks in emerging market economies". *BIS*. May 2. https://www.bis.org/speeches/sp190502.htm .
- Case, Anne. And Angus Deaton. 2020. *Deaths of Despair and the Future of Capitalism*, Princeton: Princeton University Press.
- Collier, Paul. 2018. *The Future of Capitalism. Facing the New Anxieties*. Harper.
- Dăianu, Daniel. 2019. "Which Way Goes Capitalism?", *CEU Press.* New York/Budapest.
- Dăianu, Daniel. 2017. "The New Protectionism: where does it come from and where may it go", *World Commerce Review*, vol. 11, issue 1 (Spring, 2017): 6-11
- Dăianu, Daniel. 2011. "Markets and society: When high finance corrodes economy and undermines democracy", *Eurozine*. July 11. https://www.eurozine.com/markets-and-society/ .
- Dăianu, Daniel. 2020. "The Coronavirus crisis has laid bare the need to revamp the EU", *Friends of Europe*. May 18. https://www.friendsofeurope.org/insights/the-coronavirus-has-laid-bare-the-need-to-revamp-the-eu/ .

- Dornbusch, Rudiger, Wilhelm Noelling and Richard Layard. 1993. *Postwar Economic Reconstruction and Lessons for the East Today*. Cambridge (Mass): MIT Press.
- European Central Bank. 2020. *Financial Stability Review.*
- European Commission. 2020. *The EU budget powering the recovery plan for Europe*, Communication from The Commission to The European Parliament, The European Council, The Council, The European Economic and Social Committee and The Committee of The Regions.
- European Commission. 2020. *Recovery plan for Europe*.
- Ferguson, Niall. 2020. *The Ascent of Money*, London: Penguin Books.
- Friedman, Milton, and Anna Schwartz. 1963. *A Monetary History of the US*, Princeton: Princeton University Press.
- Fukuyama, Francis. 1990. "The End of History", *The National Interest*, 16: 3-18.
- Galli, Jordi. 2015. *Monetary Policy, Inflation and the Buesiness Cycle*, Princeton: Princeton University Press.
- Gentiloni, Paolo. "Remarks by Commissioner Gentiloni at the Eurogroup press conference". *European Commission*. September 11. https://ec.europa.eu/commission/presscorner/detail/en/speech_20_163 ; see also Kinder, A., Agyenmang, E. (2020), "It's a matter of fairness: squeezing more tax from multinationals". *Financial Times*. July 8. https://www.ft.com/content/40cffe27-4126-43f7-9c0e-a7a24b44b9bc .
- Giddens, Anthony. 1998. *The Third Way. The Renewal of Social Democracy*. Cambridge: Polity Press.
- Goodhart, Charles. 1988. *The Evolution of Central Banks*. Cambridge (Mass): MIT Press.
- Gordon, Robert. 2014. "The demise of US economic growth: restatement, rebuttal, and reflections". *NBER Working Paper*, No. 19895.
- Haldane, Andrew, and Robert May. 2011. "Systemic risks in banking ecosystems". *Nature,* 469: 351-355.

- Hansen, Niels Jakob. Alessandro Lin, and Rui Mano. 2020. "Should Inequality Factor into Central Banks' Decisions?", *IMF Working Paper*, No. 196.
- Hirschman, Alfred. 1972. *Exit, Voice and Loyalty*, Cambridge (Mass): Harvard University Press.
- Kakutani, Michiko. 2018. *The Death of Truth*, London: William Collins.
- Kennedy, Paul. 1987. *The Rise and Fall of Great Powers*, New York: Random House.
- Keynes, John Maynard. 1936. *The General Theory of Employment, Interest and Money*", New York: Harcourt Brace.
- Kindleberger, Charles. 1993. *A Financial History of Western Europe*. second edition. Oxford: Oxford University Press.
- Kindleberger, Charles, and Robert Aliber. 1978. *Manias, Panics, and Crasehes. A History of Financial Crises*. New York: Basic Books.
- King, Mevyn. 2016. *The End of Alchemy. Money, Banking and The Future of the Global Economy*, London: Little Brown.
- Lagarde, Christine. 2019. "The Financial Sector: Redefining a Broader Sense of Purpose". *IMF*. February 28. https://www.imf.org/en/News/Articles/2019/02/21/sp022819-md-the-financial-sector-redefining-a-broader-sense-of-purpose .
- Lagarde, Christine. 2020. "The Monetary Policy Strategu review: some preliminary considerations". *ECB*. September 30. https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp200930~169abb1202.en.html .
- Lamfalussy, Alexander. 2000. *Financial Crises in Emerging Markets*, New Haven: Yale University Press.
- Mahbubani, Kishore. 2020. *Has China Won?: The American Challange to Chinese Primacy*. PublicAffairs.
- Mason, Paul. 2015. *Post-Capitalism. A Guide to Our Future*. London: Penguin Books.
- Mazzucato, Mariana. 2013. *The Entrepreneurial State. Debunking Public vs. Private Sectors Myths*. New York: Anthem Press.

- Mazzucato, Mariana. 2020. "Capitalism after The Pandemic. Getting the Recovery Right". *Foreign Affairs.* November-December 2020. https://www.foreignaffairs.com/articles/united-states/2020-10-02/capitalism-after-covid-19-pandemic .
- Milanovic, Branko. 2020. *Capitalism, Alone. The Future of the System that Rules the World.* New York: Belknap Press.
- Minsky, Hyman. 1988. *Stabilizing an Unstable Economy*. New York: Mc Graw-Hill.
- Nichols, Tom. 2017. *The Death of Expertise. The Campaign Against Established Knowledge and Why it Matters.* Oxford: Oxford University Press.
- Pisani-Ferry, Jean. 2020. "La postérité du plan de relance européen sera une affaire d'exécution". *Le Monde.* June 20. https://www.lemonde.fr/idees/article/2020/06/20/jean-pisani-ferry-la-posterite-du-plan-de-relance-europeen-sera-une-affaire-d-execution_6043532_3232.html .
- Polanyi, Karl. 1994. *The Great Transformation*. New York: Farrar and Reinhart.
- Rachel, Lukasz and Thomas Smith. 2015. "Secular drivers of the global interest rate", *Bank of England, Staff Working Papers,* No. 571.
- Rajan, Raghuram. 2019. *The Third Pillar: How Markets and the State Leave Community Behind*. London: Penguin Press.
- Reinhart, Carmen. 2020. "Global economic recovery may take five years". *Reuters*. September 17. https://www.reuters.com/article/uk-health-coronavirus-worldbank/global-economic-recovery-may-take-five-years-world-bank-chief-economist-says-idUKKBN26815I .
- Reinhart, Carmen and Kenneth Rogoff. 2009. *This Time is Different. Eight Centuries of Financial Follies*. Princeton: Princeton University Press.
- Rey, Hélène. 2013. "Dilemma not Trilemma: The global financial cycle and monetary policy independence. *Helen Rey*. http://www.helenerey.eu/RP.aspx?pid=Published-Papers_en-GB&aid=147802013_67186463733 .

- Rodrik, Dani. 2018. "The Double Threat to Liberal Democracy". *Project Syndicate*. February 13. https://www.project-syndicate.org/commentary/double-threat-to-liberal-democracy-by-dani-rodrik-2018-02?barrier=accesspaylog .
- Schnabel, Isabel. 2020. "When markets fail – the need for collective action in tackling climate change". *ECB*. September 28. https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp200928_1~268b0b672f.en.html .
- Schumpeter, Joseph. 1942. *Capitalism, Socialism and Democracy*. New York: Harper and Brothers.
- Stern, Nicholas. 2006. *The Stern Review: The Economics of Climate Change*. Cambridge: Cambridge University Press.
- Stiglitz, Joseph. 2010. "Contagion, liberalization, and the optimal structure of globalization". *The Journal of Globalization and Development*. Volume 1, Issue 2.
- Summers, Larry. 2014. "*Reflections on the new secular stagnation hypothesis*". In *Secular Stagnation: Facts, Causes and Cure,* edited by Baldwin and Teulings. London: CEPR Press.
- Timmermans, Frans. 2020. "Now's the Time for Jumbo Green Bond Sale". *Bloomberg*. September 17. https://www.bloomberg.com/news/articles/2020-09-17/eu-climate-chief-says-now-s-the-time-for-jumbo-green-bond-sale .
- Tirole, Jean. 2017. *Economics for the Common Good*. Princeton: Princeton University Press.
- Von der Leyen, Ursula. 2020. "State of the Union". *European Commission*. September 16. https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_20_1655 .
- Yifu, Lin, Justin. 2012. *The Quest for Prosperity. How Developing Economies Can Take Off*. Princeton: Princeton University Press.
- Zucman, Gabriel. 2015. *The Hidden Wealth of Nations: The Scourge of Tax Havens*. Chicago: University of Chicago Press.

- Zakaria, Fareed. 2020. *Ten Lessons for a Post-pandemic World*. New York: Norton.