

European Welfare States during and after the COVID crisis

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The response in terms of pandemic- related fiscal measures

(Source: Bruegel [6/5/2020](#))

Discretionary 2020 fiscal measures adopted in response to coronavirus by 16 April 2020*, % of 2019 GDP

	Immediate fiscal impulse	Deferral	Other liquidity/guarantee
Belgium	0.7%	3.0%	10.9%
Denmark	2.1%	7.2%	2.9%
France	2.4%	9.4%	14.0%
Germany	10.1%	14.6%	27.2%
Greece	1.1%	2.0%	0.5%
Hungary	0.4%	8.3%	0.0%
Italy	0.9%	13.2%	29.8%
Netherlands	1.6%	3.2%	0.6%
Portugal	2.5%	11.1%	5.5%
Spain	1.1%	1.5%	9.1%
United Kingdom	4.5%	1.4%	14.9%
United States	9.1%	2.6%	2.6%

Note: we calculate the ratio of the 2020 measures to 2019 GDP, because the 2020 GDP outlook is very uncertain. The category 'Other liquidity/guarantee' includes only government-initiated measures (excludes central bank measures) and shows the total volume of private sector loans/activities covered, not the amount the government put aside for the liquidity support or guarantee (the amount of which is multiplied to cover a much larger amount of private sector activity).

The aggregate EU response (European Council on 9th April, 2020)

Source: [Consilium](#)

By mid-March,

- ECB had announced PEPP (€750 b), expanded eligibility under Corporate SPP, and lowered collateral standards
- SSM ordered banks benefitting from liquidity support to refrain from paying dividends and from buying back shares

By mid-April,

- member states had announced **discretionary fiscal measures** amounting to 3% of EU-GDP
- ..plus **public guarantee schemes and liquidity support** amounting to 16% of EU-GDP
- **EU state aid rules** were eased

What the
recent
interventions
show us

European welfare states can quickly become **Keynesian** if necessary and government willing

- stabilising the macro-economy
- social-liberal in their political thrust
- mindful of the need for international cooperation

But also the
limitations of
this Keynesian
response

Take the emphasis on short-time work/ furlough/
chômage partiel schemes

- Basic income/ social assistance for all politically unpalatable
- Status-preserving, benefitting predominantly insiders of the labour market
- Extension to self-employed, zero-hours contract and gig-economy workers difficult
- Essentially national responses, even if coordinated, expose the hardest hit countries to financial attacks