



# Questions of Power



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JE - Jean-Claude JUNCKER...

# “Europe’s Response Was a Total Disaster”

The economic historian and commentator talks with IP SPECIAL about what went wrong in China, the EU, and the United States during the first phase of the COVID-19 pandemic and who (so far) has won the fight against the virus.

## An Interview with Adam Tooze

***The COVID-19 pandemic originated in China, in the city of Wuhan. How well, in your view, did China manage the crisis?*** Well, I think it was a pretty ordinary mess early on. From the 1980s onwards, health scientists around the world, most of them based in Hong Kong, have focused their attention on China—as an incubator of these types of virus mutations and certainly as the originator of the SARS shock of 2003, which was formative for the current group of leaders in the Chinese Communist Party, or CCP.

Beijing has owned the problem and the SARS outbreak was humiliating for them. It was a blow to the narrative of prosperity brought by the CCP, though it has been willing in a ruthless way until today to sacrifice the lives of millions of Chinese people to its projects. After all, in the 1980s they were still running the most spectacular biopolitical project in history, which was the “one child” policy.

The CCP leadership has a fetish for control and the Chinese population, as we know, has a profound interest in medicine and the body, so delivering health to the Chinese people is an absolute key priority to this regime. But there’s no contradiction with their interest in control: for them, being able to demonstrate control is crucial. After the humiliation of 2003 they built what they thought was a robust apparatus to prevent a repetition. They welcomed American public health officials connected to the US Centers for Disease Control and Prevention—in fact there was a huge conveyor belt for American officials inside the Chinese CDC until last summer. The idea was that you could build a reporting system that was robust, despite the obvious temptations of a huge country with relatively few checks and balances at key points in the command chain and an overwhelming desire to report success up the command chain. They are fully aware of all of these



problems. I mean, they may be authoritarian, but they are anything other than dumb.

They thought they had built a very fast, depoliticized reporting chain—and it failed. In a country of 1.4 billion is it surprising that it failed, given the failures everywhere else in the world in the weeks that followed? I find it completely unsurprising that it happened—in Hubei province, which is the size of a large European nation, the size of a Spain or Poland, with a city larger than any city in Europe, a thousand kilometers away from Beijing in the middle of the Christmas holidays and national elections.

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Of course, we don't take Chinese elections seriously, but the CCP officials do. And the CCP was not anxious to rapidly report the fact that they had come across a very embarrassing problem that they didn't want anyone to know about. They thought they could get away with it and

they sabotaged the report chain. And then there is this critical period of about ten days or so. The command in Beijing was likely informed on January 6, but they didn't send their "hit team" into Hubei until January 18. For that they mobilized all the "heroes of SARS," the party loyalists who had been handling SARS. Within 24 hours they reported it back and then everything was going very quickly and very decisively indeed.

Their position—that I find completely reasonable—was that the West would have to think of its exposure to Wuhan exactly in the same way as they think of Shanghai's and Beijing's exposure to Wuhan, except Shanghai's and Beijing's exposure to Wuhan was infinitely greater, because half the population of Wuhan, which is a rich city, had left for holidays, about 5 million people. They went and spread the virus all across China. So, the reaction was a blanket response and it worked.

And the fundamental disconnect is that we in the West simply didn't understand that in a world in which there were several flights a week between Wuhan and every major airport in the world, either directly or indirectly, a problem in Wuhan is immediately everyone's problem—not weeks later when the WHO finally decides to call it a pandemic. It is as immediately a problem for us as it is for Beijing or Shanghai. And that is just really difficult to get across. Maybe 40,000 people travelled between Wuhan and Japan in that period, just Japan, which is closer to China, of course, than Europe or the US, but nevertheless it gives you an idea. We know how quickly it spread from there to Bavaria through an employee of an autoparts supplier.

***So you'd say it was an "ordinary failure"?*** Followed by a rather extraordinary saving reaction, yes. And it's important not



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to understand that simply as a “top-down” mechanism. China is too big a country to be ruled simply from the top. They shifted a series of gears and the gears worked, television in particular. At the village level, the small community level, they know they're so vulnerable because they don't have adequate health services; they have to pay for hospital visits individually. Chinese people are obsessed with their health, their culture ventures on the hypochondriac; they just shut their villages down by digging roads up. By the middle of February you had Beijing ordering local communities to stop digging holes in main roads because the villages were just cordoning themselves off. So, you have a kind of a problem for Beijing by the middle of February—this massive overreaction of a society that is dynamized around the project of not being “another Wuhan.”

So, yes, an ordinary failure followed by a considerable success which exposed a lot of wishful thinking on the part of the West—not just about how closely we're really connected in a truly globalized world, but also the “Chernobyl moment” fanta-

sies, that this was going to be the failure that shook the position of President Xi Jinping. The shred of truth in that is that by February 7, after the whistleblower doctor died very publicly, they did have an Internet problem on their hands, with 130 million people on Weibo potentially watching—a huge issue of legitimacy—and they crushed it. And then they delivered, so it's not simply an act of repression, it's also their ability to actually end the disease. The combination of the two is very potent because by now all of the narratives completely changed. I have former students who travelled from Europe to Shanghai and say it's like a “liberation,” literally their words, because in Shanghai you can live an ordinary life.

***Meanwhile, Beijing's economic response has been much more limited than, say, during the global financial crisis a decade or so earlier.*** It isn't the “all hands on deck” response they did in 2008-09, no. Then they issued a party directive, and within a matter of weeks everyone rolled out their infrastructure program; they went crazy on infrastructure. No, that isn't the situation this time around. Bit by bit, it's more like 2009 in Germany: the Germans talked a small game and did quite a lot in 2009. This time around it's the Chinese who are talking quite a small game while actually doing more than it looks like. They are using the policy banks, as they always tend to do. If you look at the credit creation volumes, they're huge, but they're relative to a much bigger economy. So, I'm not convinced that we really have a clear idea of the scale of the overall response. The most fundamental thing to say is that their economy is not broken. All of the indicators suggest that they're going to achieve growth relative to last year. At this point, certainly in the

heavy industrial sector, they will make it well above where they were last year.

Then again, we are clearly not out of the woods yet. There are some indicators which suggest that the much-feared debt crisis in China has begun, but at the danger of sounding like a Beijing apologist—and there are real hazards given the escalating abuse of human rights and violence in Xinjiang province, in Hong Kong—from the point of good governance it's absolutely remarkable what they've done, even in managing their debt problems so unlike us in the West. We just barged into 2007, 2008, 2009; they appear to be in the process of very actively managing a de-escalation of the debt level, which is also why they haven't gone this time round for another massive stimulus because they are actually concerned to avoid creating further risks. If you look back at the speeches coming out of Xi's entourage in 2018 and 2019 there is an obsessive focus on risk management. They have this extraordinarily elaborate understanding of the way in which shocks can converge. I really think Western analysts would do well to study this more closely, because some of these speeches seem like boilerplate, they seem completely routine communist pronouncements, but actually they're quite interesting in the way in which they're thinking. Former European Commission President Jean-Claude Juncker talked about a "polycrisis" in Europe in 2015. The Chinese have a much more sophisticated way of talking about polycrises and the security people in particular, the folks who are involved in the security apparatus in the Chinese regime, are quite sophisticated social scientists.

***Moving on to Europe, how would you summarize the European reaction?***

I think it's a story in three parts. The third part we're living through right now, and

it's becoming increasingly a question mark again, with various European countries going back into lockdowns of some sorts.

The first phase—and it's crucial to insist on this in light of the self-congratulation which became so common over the summer—was a total disaster, with everyone

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only looking across to the United States. Liberals everywhere spend so much time hammering on the Trump administration that we lost sight of the fact that the United States is a huge country. Most parts of the US have not experienced an epidemic remotely comparable to what has happened in Europe, even in Germany, let alone in the hotspots. The disasters unfolded in Italy, in France, in Spain, in the United Kingdom, and in Belgium during that spring phase. The only place in the US you could compare it to was New York, which was similarly at a level of total global catastrophe: total failure to control mass transmission; far too slow to move on all of the crucial lockdown mechanisms. And then of course the total failure to coordi-

nate policies, with France and Germany playing a very negative role early on, followed by Germany appearing to replay the blocking role that it played for so much of the lifetime of the eurozone as a kind of unconstructed veto player, knocking down the early Corona eurobonds proposals, apparently with no regard whatsoever for the politics of the people proposing them in France, Italy, and Spain—that is a key part of any reasonable construction body the EU is going to be.

And then something really dramatic happened, another one of those “Merkel moments” where we’re going to spend a lot of time as historians retrospectively trying to reconstruct what the hell went on in Angela Merkel’s chancellery, because she moves from a position of really pretty hardcore obstruction—which is after all the position that she had adopted toward Macron since 2017—all of a sudden in early May pivots toward a much more construc-

tive position of reinterpreting the crisis not as an extension of the old problems of the eurozone but as a new crisis that requires new solutions. And then you can bootstrap it with all sorts of thing ...

**... though the European Parliament took a long while giving its approval.** Nonetheless, in July it looked like a masterstroke, as a political solution. As an economist you have to say, “It’s not big enough, it leaves all the debts on the books of the national governments, and the ECB is still crucial.” But that wasn’t the point. The point was to turn the narrative in political circles and they did that.

But now in the third phase, Europe has not conclusively controlled the epidemic, social cohesion around lockdown measures is breaking down in many parts of the EU, and the economic and social consequences of the lockdowns will make themselves felt in the fall and winter.



Among the Chinese president’s entourage there is “an obsessive focus on risk management”: Xi Jinping at a meeting to commend role models in Beijing’s fight against COVID-19 at the Great Hall of the People

There is this sort of narcissism of small differences when the Europeans are comparing themselves to the Americans, and one has to keep in mind the very effective guise of *Kurzarbeit*, short-time working mechanisms or furlough schemes which the Europeans have made work and the Americans don't have. But it's already clear that the problems for Europe are going to be immense. The hits the Spanish and the Italian economies have suffered have been very big by global standards, and even the German economy has suffered a hit as large as the American economy's, which is saying something. So, I think it could have been, as Macron said, a real existential crisis for the EU in the way that the eurozone crisis was, and they avoided that.

***In September, German Economy Minister Peter Altmaier still believed in a V-shaped recovery.*** Well, it's his job, "*gute Stimmung verbreiten*," lifting the mood. But no one seriously believes at this point in a V-shaped recovery, except in China. It's just not in the data. So that's gone as an option. We're talking about some kind of swoosh. "Back to normal" by early next year—that's totally unrealistic. If it's not as bad as we think it might be, that's largely the result of policy action. In geopolitical terms, you have to say it seals a huge divide between Europe and the US. This summer also marked the nadir of the Trump period, when Merkel refused to go to the US for the G7 meeting. This is really the bottom of the barrel.

***You've already indicated that in your view the US government has handled the pandemic better than many, at least in Europe, have perceived it, largely viewed through the prism of Trump acting as this shockingly irresponsible president.***

***Is the actual result more mixed?*** Yes, I think so. The crucial thing is to get your scale comparisons right. Or let's put it this way: the most insulting thing about the Trump administration when it came in, in early 2017, was it wasn't obvious to anyone in the White House that the EU existed. I remember talking to EU diplomats and they were stunned that nobody in the White House understood that Germany doesn't have a trade policy. If you wish to talk about trade policy, you've got to talk to Brussels—I'm not kidding. Conversely, from an American point of view, there is this European blindness in thinking that America is a state like Germany. Which is just silly. It's 330 million people, the size of a continent with cultural and economic and social differences every bit as wide, if not wider, than between the Eastern and Western parts of Germany.

In the US we have what's called the "patchwork epidemic," and part of the reason why the White House has had a hard time formulating coherent policies is that it's trying to do what Brussels hasn't even attempted to do: try to formulate a coherent policy for a place where you had one of the world's worst epidemics—in New York, Connecticut, and New Jersey—and huge parts of the country with no epidemic at all. So, the failure of the Trump administration has been to articulate different state responses. If you look at macro policies through the spring, at economic policy, you would have said they're acting much more concertedly than the Europeans and that's because they can. They have a tightly connected Treasury and Federal Reserve, and they can act to macroscopic scale—trillions are not a problem, and so they did a trillion-dollar stimulus; they actually rolled out a welfare state the type America has never seen before. The CARES act is the most dramatic act of active welfare policy US politics has



ever produced, it made tens of millions of poor Americans actually better off, even as they lost their jobs. It was remarkable. Republicans and Democrats have coordinated on that, and Trump did not harass the Fed throughout that period.

So, you can construct a counternarrative—which isn’t meant to expurgate Trump. I am taking as a fact that the man is a barbarian, an egomaniacal narcissist, and he has people in his entourage who are very serious about transforming America in an authoritarian direction and about renewing a Cold War with China.

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**So, who had the “best” pandemic so far?**  
The simple, one-word answer is: China.  
But have they made the most of that? No.

**European publics, for instance, have quite decidedly turned against China.**

Yes, but we shouldn’t be too parochial about this. If you look at places like Latin America, the story is quite different. Face mask diplomacy worked much better there. And

remember, in April, everyone was afraid that the virus was going to spread to Africa. Other than South Africa, of course, it has not turned out to be a medical hotspot, but Latin America absolutely has been and America is absent there right now. The US doesn’t really have a Latin American policy to speak of. But China does.

***The Chinese are actually testing their COVID-19 vaccine in Brazil.***

Yes, because Brazil has an epidemic and China doesn’t. In vaccine trials you need to have lots of people in the control group to run around and get sick because that’s how you run the vaccine test—it’s when 150+ people get sick in your control group that you can actually start testing whether the people with the vaccine are safe. And, you know, you could walk around as long as you like in Shanghai and you won’t get sick. So, the Chinese have to run them in Brazil, which has a very powerful public health infrastructure, including something akin to the Robert Koch Institute. Public health has a great tradition in Brazil, even though we often have a patronizing attitude toward Latin American states like that. President Jair Bolsonaro and his crew are like Trump, of course: they’re thugs, they’re racist, they speak in fake Chinese accents—I mean they’re disgusting. But broadly speaking, looking at the future of the Brazilian economy as a quality exporter to China—it’s pretty clear where this is going.

For Europeans, meanwhile, it seems pretty hard to take that China is not just doing better than they are, but doing 150 times better, which is, if you ratio the casualties to population and believe the Chinese numbers, 150 times more French people died. That’s just pretty difficult for Europeans to stomach.

The interview was conducted by Henning Hoff.