



Vatican COVID-19 Commission

Executive summary: Economy Taskforce



Lockdown measures in Rome, Italy, by Ministero Difesa

SEE: The economic costs of COVID-19

EU Green Deal is the way to regenerate our society and economy

The Eurozone is one of the regions most affected by COVID-19. The pandemic struck a continent already suffering from slow growth and an incomplete recovery from the 2008 financial crisis. The Eurozone as a whole did not return to its pre-2008 GDP levels until 2014 and by the end of 2019, it was still performing worse than most major economic blocs. Unemployment rates remained twice as high as those of the UK and the US and almost three times higher than those of Korea and Japan.

As a result of the COVID-19 crisis, the EU Commission is forecasting a 7.4% drop in GDP – the worst recession in the history of the Eurozone. The lockdown measures necessary to protect lives have come at a high economic cost. Up to 50 million jobs across Europe are threatened with reduced salaries, temporary furloughs and permanent layoffs, according to McKinsey. Certain sectors are particularly vulnerable (see below) while variables such as education and age significantly increase job risk. For example, employees aged 15-24-years are 41% more likely to have jobs at risk compared to those aged 25-54 years.

Ursula von der Leyer, President of the EU Commission, recently announced that the European Green Deal would be Europe's 'compass' and 'motor for recovery'.

74%

The percentage of jobs that are at risk in the food & accommodation sectors (McKinsey)

50%

The percentage of jobs that are at risk in the arts and entertainment sectors (McKinsey).

44%

The percentage of jobs that are at risk in the wholesale and retail sectors (McKinsey).



Pope Francis has asked the Vatican COVID-19 Commission to consider key issues arising from the pandemic and also to reflect on what new socio-economic-cultural approaches are needed to build a better future for everyone. This is the executive summary from Week 5 of the Commission's Economy Taskforce.



Massive increase in state aid

In Italy, one of the Eurozone countries most affected by the coronavirus, requests for state assistance and food provision during the lockdown period increased by 114%, according to a report in the Il Sole 24 Ore newspaper.

JUDGE: Restructure the economy for the future

Sustainable, inclusive and innovation-led

The upheaval caused by the pandemic will be temporary but only if European leaders take the extraordinary measures necessary to avoid permanent damage to the EU. Their response must incorporate the vision of the economy we want to create for the future – one that is sustainable, inclusive, and driven by innovation-led growth.

This may require a complete restructuring of business models in the public and private sectors. The plan for a European Green Deal to reach net-zero carbon emissions by 2050, endorsed in late 2019, is a key tool, as is the EU Industrial Strategy.

It is commendable that Europe, cradle of the Industrial Revolution 250 years ago, wants to achieve carbon neutrality by 2050, trying to respond to the cry of the earth and the poor.

In line with the idea of an integral conversion, we must seek comprehensive solutions and strive

towards policies that can regenerate economies and businesses, not simple, short-sighted recovery packages. Recovery packages focused on consumption, rather than on productive and sustainable investment, are not conducive to promoting integral human development and could:

- (a) exacerbate **intergenerational inequalities** – if we just consume with the money we borrow, we increase the debt that must be paid by the next generation;
- (b) exacerbate **international inequalities**, since ‘the huge consumption on the part of some rich countries has repercussions on the poorest areas of the world’ (*Laudato Si’* 51);
- (c) cement ‘**harmful habits of consumption**’ (LS 55) for people and the planet, limiting our capacity to change our lifestyles (LS 5);
- (d) promote **evasion** of the interconnected health-social-ecological crisis by providing a privileged minority with the licence to carry on with ‘excessive consumption’ (LS 50).

Potential areas for productive and sustainable investment include: (i) connectivity infrastructure; (ii) general research & development spending; (iii) education investment; (iv) clean energy infrastructure; (v) clean energy research and development spending; (vi) healthcare investment; (vii) worker retraining.

ACT: To ensure a sustainable, inclusive recovery, governments and the EU should:

- **Prioritise** the European Green Deal and a bold European Industrial Strategy as twin strands of the COVID19 recovery plan, redefining the relationship between the state and the private sector and rebalancing the distribution of productive capacity within the Eurozone.
- **Ensure** that all Eurozone governments have the fiscal space to fight the pandemic and create more inclusive post-crisis economies, focusing on new ‘green’ jobs and a just energy transition.
- **Consider** streamlining EU governance mechanisms to allow for more timely and effective responses to COVID-19 and future crises.
- **Incorporate** into the mandate of the European Central Bank a full employment target alongside its price stability target, as is the case with the U.S. Federal Reserve.
- **Evaluate** economic, health, and environmental policies with an eye to their impact on the young, marginal populations, and future generations.

The implementation of the EU Green Deal, aimed at reaching net-zero carbon emissions by 2050, while leaving no person or place behind, will not only require companies and governments to adopt **science-based targets**, but will also need the **deep values** upon which Europe was built; most of them religious. The Church and other faith institutions could encourage a **spirit of harmony and cooperation**, and support Europe to transit towards the Green Deal based on values such as the dignity of every person and of work; the common good and the common destination of goods; solidarity and subsidiarity; and the celebration of love for God’s creation, all of which are pivotal to caring for our common home.