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## Rebuilding The Economy After Covid-19: An Opportunity For Sustainability

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Covida Collective | University of Victoria



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# Rebuilding The Economy After Covid-19: An Opportunity For Sustainability

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## Summary

The novel Coronavirus or COVID-19, originating in Wuhan, China, has had an unprecedented effect on both the global economy and environment. Pollution levels over China and Europe are being reported at record lows. “Not even during the Great Depression and World War II did the bulk of economic activity literally shut down, as it has in China, the United States, and Europe today.”<sup>1</sup> The United States stock market experienced its fastest decline in history (20% from its peak) within a period of 15 days.<sup>2</sup> So far, state responses and recommendations have focused on restarting the economy and advancing cautiously, yet swiftly, into what is being termed a ‘new normal’. Along these lines, several governments have rolled out stimulus packages in order to keep the economy moving while adapting to social, political, and economic life in times of pandemic. Nevertheless, in this great reconstruction, governments seem to be ignoring the opportunity of reactivating economic life while also addressing another important emergency the planet is facing, the climate crisis. Following from this, I argue that this crisis could be an opportunity to reactivate the economy in a manner that addresses both the pandemic and the climate crisis through a re-imagining of our economies as circular and no longer relying on infinite growth.

## Discussion

Climate scientists and activists have presented solutions to the current ecological crisis that promise to achieve the goals of zero emissions by the year 2050 and hope to prevent a global rise in temperature of more than 2° Celsius. These solutions have not been implemented because global economies are deeply entrenched with neoliberal ideology, rendering climate action that would challenge economic growth unthinkable. Moving to a circular system which is oriented towards prosperity rather than growth could halt growth and cause mass unemployment for a period of time. However, COVID-19 has presented the world with abnormal political and economic conditions that may allow for creative solutions to be implemented in a manner that increases prosperity while responding virtuously to mass unemployment and halted economic growth. Therefore, I argue that this crisis could be an opportunity for re-imagining economic life. The stimulus package in the United States came with unprecedented transfers of control over industry from private corporations to the government.<sup>3</sup> It also included clauses intended to protect employees from corporations, such as; limiting executive pay, requiring companies to maintain 90% of employment, enforcing higher interest rates on loans to larger companies, and preventing ‘offshore employment’ for a period of two years.<sup>4</sup> This is an example of the state taking advantage of this *state of exception* to pass legislation that would not be approved in ‘normal’ times.

<sup>1</sup> Nouriel Roubini, “A Greater Depression?” *Project Syndicate*, March 24, 2020, <https://www.project-syndicate.org/commentary/coronavirus-greater-great-depression-by-nouriel-roubini-2020-03> (accessed April 10, 2020).

<sup>2</sup> Nouriel Roubini, *Project Syndicate*, <https://www.project-syndicate.org/commentary/coronavirus-greater-great-depression-by-nouriel-roubini-2020-03> (accessed April 10, 2020).

<sup>3</sup> Tankersley et al, *The New York Times*, <https://www.nytimes.com/2020/03/26/business/economy/coronavirus-relief-bill.html> (accessed April 18, 2020).

<sup>4</sup> Ibid.

### Recommendations

It is not possible to sustain infinite economic growth and also take the necessary action to prevent climate disaster. The plain reality is that emissions must be reduced, and we must transition away from non-renewable resources. This cannot be achieved through carbon pricing systems and efficiency technologies alone. In order to implement effective and permanent action we must transition to a circular economy which eliminates waste and halts the entrance of non-renewable resources to the economy. Within the current free-market capitalist system, this transition would cause mass unemployment and political outrage. However, the mass unemployment caused by COVID-19 could absorb this initial shock and the European Union is uniquely positioned as a legislator to drive this great transmutation. Its technocratic nature, economic influence, regulatory jurisdiction, and vast political networks, present the Union with the opportunity of steering humanity, via its exemplarity, towards the creation of virtuous and reconciliatory ecosocial economies.

### Background and Research question

The Intergovernmental Panel on Climate Change has concluded that carbon emissions must be reduced to *zero* by the year 2050 in order to prevent climate disaster.<sup>5</sup> Political actors from across the globe have committed to various agreements and regulations with the purpose of achieving this goal. Unfortunately, the world is not on track to succeed in reducing carbon emissions. The measures being taken to combat climate change are informed by the concept of *sustainable prosperity*. The proponents of this

theory believe that barriers arise from ‘market failures’, wherein resources are not properly priced/valued, which can be resolved through government intervention to properly price goods.<sup>6</sup> Essentially, the economy can and will continue to grow infinitely and the role of climate legislation is to make environmentally responsible activity profitable.<sup>7</sup> The pathway to Sustainable Prosperity is improved economic efficiency *within* the current social order.<sup>8</sup> The role of the state in this process is to create regulations that encourage industry to develop in an eco-friendly way.<sup>9</sup> However, most programs are geared toward giving economic incentive to preservation without also charging for degradation. This leads to a system in which corporations can use the excess profit from ‘green’ projects to fund destructive projects. The result of these programs has been “green consumerism”, (ex. purchasing electric cars) rather than “industrial rethinking” (ex. eliminating private transport).<sup>10</sup> In fact, the production, transport, profit, and power of electric cars and other ‘green’ products are still incredibly destructive, but the product allows the consumer to feel as though they have reduced their own carbon footprint.

One widely used tool of sustainable prosperity is *carbon pricing*. Carbon pricing commodifies ‘carbon off-sets’, which are natural ways to absorb carbon.<sup>11</sup> Forests and other natural carbon consumers can be sold to those who cannot afford ‘efficiency technology’ or carbon-dumping in other countries.<sup>12</sup> This results in wealthy countries selling carbon off-sets to developing countries that require them because corporations in wealthy countries do their manufacturing

<sup>5</sup> *Global Warming of 1.5 °C*, (Accessed April 19, 2020).

<sup>6</sup> Michael M’Gonigle and Lousie Takeda, “The Liberal Limits of Environmental Law: A Green Legal Critique,” *Pace Environmental Law Review*, 30, no. 3 (2013): 65.

<sup>7</sup> *Ibid.*, 74.

<sup>8</sup> *Ibid.*, 67.

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*, 69.

<sup>11</sup> *Ibid.*, 72.

<sup>12</sup> *bid.*

in developing countries where wages are lower.<sup>13</sup> Other market-based solutions that follow the same principle include conservation banking, wetland mitigation banking, biodiversity offsets, nutrient trading, and renewable energy credits.<sup>14</sup> Ultimately, these programs commodify the environment, thus enabling destruction in one location to be ‘paid for’ with preservation or regeneration elsewhere. Aside from the glaring issue of human impact of companies’ ability to destroy essential resources such as eliminating clean drinking water, these programs still do not reduce emissions.<sup>15</sup>

The sustainable prosperity approach is tempting, vastly used, and much easier than challenging the global capitalist system.<sup>16</sup> It has been estimated that the necessary transformation of the economy towards a sustainable green economy can be done with only 3% global GDP reduction by the year 2030.<sup>17</sup> Notwithstanding, I argue that the world has reached its limit for economic growth. Infinite growth does not work in a closed ecological system.<sup>18</sup> The key to solving the climate crisis is to end dependence on infinite growth and consumption of non-renewable resources. This would occur through passing legislation that outlaws introducing virgin materials into the economy and transitions to the exclusive use of renewable energy for production. With such legislation in place, current corporate bailouts and other stimulus policies being implemented during the COVID-19 crisis and its aftermath could serve as investment into de-growth strategies aimed at sustainable prosperity for all.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid., 73.

<sup>15</sup> Ibid., 85.

<sup>16</sup> Ibid., 75.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid., 62.

### Methodology/Data

The findings and recommendations presented here are based upon Michael M’Gonigle and Louise Takeda’s article in the Pace Environmental Law Review titled *The Liberal Limits of Environmental Law: A Green Legal Critique* and Adrian Parr’s book titled *The Wrath of Capital: Neoliberalism and Climate Change Politics* in coordination with an empirical analysis of the economic and environmental impacts of COVID-19. M’Gonigle and Takeda provide a theoretical analysis of the inherent relationship between Neoliberalism and climate change, proving that effective prevention of climate disaster cannot be achieved within the current global free-market economic system. Parr summarises the failures of current climate action and outlines the need for systemic reform. The circular economy model used here originates from the World Economic Forum. This model articulates the importance of a closed system which does not allow the introduction of virgin non-renewable resources to the economy and outlines the various profit structures available within a circular economy.

### Key findings

The current global economic system was built on Neoliberal ideology. Neoliberalism is deeply founded in free market capitalism, which is dependent on infinite growth and exploitation, rendering it incompatible with effective climate preservation.<sup>19</sup> The implementation of a ‘green’ free market economy is being considered as a solution because it does not challenge global capitalism. However, within a ‘green’ free market economy, products that are natural and sustainable are manufactured, sold, and profited on by the very same corporations that produce toxic and

<sup>19</sup> Adrian Parr, *The Wrath of Capital: Neoliberalism and Climate Change Politics* (New York: Columbia University Press, 2013), 11.

harmful goods.<sup>20</sup> Companies take the profit made from their ‘natural’ products and re-invest the capitol into production and consumption of harmful products. Green technology, green products, and green jobs do not adequately address waste, overconsumption, and inequitable access to limited resources, all of which must be addressed in order to stop climate and humanitarian disaster.<sup>21</sup> Furthermore, the implementation of a ‘green’ free market economy is not projected to achieve the emissions goals necessary to prevent climate disaster. Rather, the intention of this method is to mitigate ecological consequences and drive the invention of adaptation technologies that use non-renewable resources more efficiently. Efficiency is essential to solving the climate crisis – less non-renewable resources and more renewable resources need to be used to produce the *same amount* of energy.<sup>22</sup> However, when efficiency technology is implemented within the capitalist system and becomes ‘ecological modernisation’, more renewable resources *and* more non-renewable resources are used to create *more* energy.<sup>23</sup>

In a *circular economy* there is no waste and no toxic chemicals beyond those already in use. Consumables that are not returnable to the biosphere, such as plastics and metals, are designed for infinite reuse through recycling and refurbishing.<sup>24</sup> Technology is designed for upgrade rather than replacement when advancements are made.<sup>25</sup> Corporations are forbidden from producing products designed to break and be replaced. Private ownership is

reduced, and the concept of ‘consumer’ is replaced with ‘user’ by changing the relationship between business and consumer so that durable products are leased, rented, or shared when possible.<sup>26</sup> Durable products that are privately purchased are mandatorily returned and re-used after their primary use cycle.<sup>27</sup> There are several profit models within a circular economy that would allow businesses to thrive after a transitional period.<sup>28</sup> The key to solving the climate crisis with this model is to *close* the circle by passing legislation that outlaws introducing virgin materials into the economy and requires the exclusive use of renewable energy for production.<sup>29</sup>

The main barrier to implementation of a circular economy has been the inevitable economic downturn that would have to occur initially before the new economy could function properly.<sup>30</sup> However, COVID-19 has already caused mass job loss and business shutdowns. Therefore, this disruption of the market could be used as an opening through which to funnel permanent climate legislation. The European Union is the perfect place for this process to be implemented due to its technocratic nature. Rather than a governmental decree, transformation could be implemented through constitutional reform or strict regulation regimes. Through such a move the European Union would be strategically positioned to steer the global economy towards ecosocial sustainability. The European Union controls the world’s largest economy (with 500 million consumers) and largest trade-block.<sup>31</sup>

<sup>20</sup> Ibid., 20.

<sup>21</sup> Ibid., 21.

<sup>22</sup> M’Gonigle and Takeda, “The Liberal Limits of Environmental Law: A Green Legal Critique,” 77.

<sup>23</sup> Ibid., 78.

<sup>24</sup> “From Linear to Circular-Accelerating a Proven Concept,” *World Economic Forum*, <https://reports.weforum.org/toward-the-circular-economy-accelerating-the-scale-up-across-global-supply-chains/set-up-global-reverse-networks/> (accessed April 19, 2020).

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> *World Economic Forum*, <https://reports.weforum.org/toward-the-circular-economy-accelerating-the-scale-up-across-global-supply-chains/set-up-global-reverse-networks/> (accessed April 19, 2020).

<sup>29</sup> For further reading on the Circular Economy see Walter Stahel, *The Circular Economy: a User’s Guide*. Abingdon, Oxon: Routledge, 2019.

<sup>30</sup> *World Economic Forum*, <https://reports.weforum.org/toward-the-circular-economy-accelerating-the-scale-up-across-global-supply-chains/set-up-global-reverse-networks/> (accessed April 19, 2020).

<sup>31</sup> European Commission Directorate-General for Trade, “EU position in

The European Union is the largest trading partner for 80 countries (as opposed to the United States at 20).<sup>32</sup> If Europe commits to a circular economy, it will reduce the demand significantly for environmentally destructive products. Europe's large economy also means that they would require less immediate international buy-in as many individual states would require.

### Recommendation

The tragic economic impact of the COVID-19 crisis can absorb the necessary economic fallout caused by the transition to a circular economy. Companies should be given a deadline before which they must become waste-free so that as they rebuild in the wake of the crisis, they do so in a truly sustainable fashion. Governments and international organisations should assist and subsidise this process just as they are subsidising the current period of economic stagnation. Transit, travel, and shipping companies must be included so that international trade can resume in a sustainable fashion. The United Nations and the European Union would serve as integral actors for consensus building during transition. It seems an impossible goal to dramatically reform and repurpose manufacturing and production across the globe. However, the United States in the years preceding their involvement in the Second World War demonstrated that the reform is possible during a time of crisis. In a period of five years, the United States shifted national manufacturing from domestic goods to military goods.<sup>33</sup> COVID-19 has created a gap in

the system through which meaningful legislation *can be passed* without having immediate impact because growth has already halted. When the economy resumes, it will have to do so in a way that accommodates this new environmental legal regime.

### Reflection

#### How will developing economies fit within a circular system without being crushed?

Within the context of the European Union, there are a number of Member States that rely heavily on the sale of raw natural materials. As well, developing economies across the globe rely heavily on resource extraction. In some ways, developing economies will be more adaptable to the transition because they have not fully developed around a linear model. They will be able to develop in a circular way within a global market that will be re-developing circular economies. International manufacturing, transportation, and resource monopolies will not yet be established within new circular industries, allowing developing nations to compete. As well, the process of recycling and refurbishing can be done locally, whereas resource extraction must be done where resources are available. This makes it a more accessible industry for new companies.

#### How and where would the circular economy be enforced or implemented?

In regards to *how* the circular economy could be implemented, it would require severe financial and possibly criminal penalties to prevent virgin materials from being extracted and introduced into the economy. The specifics of this process rely on *where* the circular economy is being implemented. If the European Union were to implement such a systemic shift it would be relatively simple to integrate the new regulations into the existing regulation regime. Products that do not adhere to restrictions would

world trade," *European Commission*. <https://ec.europa.eu/trade/policy/eu-position-in-world-trade/> (accessed April 21, 2020).

<sup>32</sup> Ibid.

<sup>33</sup> Christopher Tassava, "The American Economy during World War II," *EHnet*, <https://eh.net/encyclopedia/the-american-economy-during-world-war-ii/> (accessed April 19, 2020).

be excluded from the market. If the transition were to be implemented globally, the United Nations may serve as an effective forum for international debate over the details of the system, but the World Trade Organization would be a more effective implementation tool due both to its economic regulatory nature and ability to enforce international trade law.

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### Alina Sobolik

Alina Sobolik is a recent graduate from the University of Victoria, having completed a BA in Political Science with a minor in European Studies. Alina’s passion for international diplomacy and conflict resolution brought her to study the European Union. Alina plans to study international law before pursuing a career in diplomacy. Through her work with CO-VIDA, Alina hopes to contribute to the conversation on post-COVID-19 solutions.



### COVIDA

The COVIDA collective aims to provide a fresh, transformative perspective on global politics. Founded in Victoria BC, we are a dynamic and collaborative group of engaged civic citizens and academics with various backgrounds ranging from biology to law. We advise global policy with the goal of promoting sustainability, democracy, and equality.

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