

The (Post)Covid Era: The Middle Class in Focus

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Partners

TOPAZ was established in 2012 as an educational platform and think tank associated with the political party TOP 09. Its goal is to open up discussion with the public concerning conservative ideas. Its main activities are focused on social debates with independent experts, cooperation with TOP 09 expert committees, fundraising, presentation of alternative views on the work of public authorities and preparation of analytical and conceptual policy documents suggesting alternative answers.

Hanns-Seidel-Stiftung (Hanns Seidel Foundation, HSF) is a German political foundation affiliated with the Bavarian Conservative Party CSU (Christian Social Union, EPP-Member). The foundation's mission is to promote western democracy, civic education, peace and development in Germany and abroad. Named after the former Bavarian Premier and CSU chairman Hanns Seidel, the foundation is largely state-funded. The headquarters of the HSF are based in the capital of Bavaria, in Munich. The foundation is currently active in more than 50 countries all over the world. Their projects focus mainly on empowering young leaders and women in parties and civil society, cross-border cooperation and strengthening the rule of law and democracy. HSF works in the fields of political analysis, civic education, scholarships, development cooperation, European dialogue and international relations.

The Wilfried Martens Centre for European Studies (WMCES) was established in 2007 as the political foundation and official think tank of the European People's Party (EPP). The Martens Centre has four main goals: advancing centre-right thought, contributing to the formulation of EU and national policies, serving as a framework for national political foundations and academics and stimulating public debate about the EU. It promotes a pan-European mind-set based on centre-right, Christian-Democrat, conservative and like-minded political values.

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Tomáš Prouza studied international relations and diplomacy. He founded the largest Czech personal finance website www.penize.cz in 2000 and worked as Deputy Finance Minister for financial services, EU relations and economic analyses from 2004 to 2007. He co-founded a financial consulting company Partners in 2007 and worked for the World Bank as financial regulation expert (since 2012 in Washington, D.C.). Upon returning to Prague in 2014, he worked as the State Secretary for European Affairs and as Digital Agenda Coordinator. He left the public sector in March 2017 and has presided over the Czech Confederation of Commerce and Tourism since October 2018. In July 2020, he became Vice President of the Czech Chamber of Commerce.

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Foreword

*Martin Kastler, former Member of the European Parliament,
representative and regional director of the Hanns-Seidel-
Foundation in Czechia, Slovakia and Hungary*

Dear Reader,

A broad middle class and strong family businesses form the backbone of the social market economic model. In Germany, this economic system is primarily associated with Ludwig Erhard, the long-time Federal Minister of Economics and later also the Federal Chancellor. Under his economic and political leadership, the West Germans experienced the so-called ‘economic miracle:’ from the ruins of the Second World War a prospering economic life developed again, combined with strong social security, or as the title of the book published by Ludwig Erhard in 1957 says: *Prosperity for All*. The fact that I feel a special closeness to Ludwig Erhard is not only because he also comes from my Franconian homeland, but I am convinced that his views can still provide helpful guidance even in our times of globalisation and digitization.

As a European politician, I am very pleased that Erhard’s goals have been achieved at the European level. The term social market economy has long been a red flag for representatives of pure market capitalism. Article 3 of the Lisbon Treaty currently stipulates, however, that the European Union has set itself the goal of ‘a highly competitive social market economy that aims at full employment and social progress.’ Such an economic system requires responsible entrepreneurs. There is undoubtedly a great strength in family businesses: company owners who, in the event of crises, do not have to fall back on public money but rely on their private assets. They consequently make their business decisions with great responsibility. The pressing need of that approach is becoming more visible in economically uncertain times, such as the current coronavirus pandemic.

With this in mind, I would like to thank the political institute TOPAZ for initiating this publication and wish it a large readership.

Abbreviations

BRIC	Brazil, Russia, India, China
CEPSA	Central European Political Science Association
CBA	Czech Banking Association
CNB	Czech Central Bank
CR	Czech Republic
ČSOB	Czechoslovak commercial bank
DIY	‘Do it yourself’
EBRD	European Bank for Reconstruction and Development
EPP	European Peoples’ Party
EU	European Union
FDI	Foreign direct investment
GACR	Czech Science Foundation
GDP	Gross Domestic Product
ICT	Information and Communication Technologies
IMF	International Monetary Fund
ISDN	Integrated Services Digital Network
KDU-ČSL	Christian and Democratic Union – Czechoslovak People’s Party
KSČM	The Communist Party of Bohemia and Moravia
ODA	Civic Democratic Alliance
OECD	Organisation for Economic Co-operation and Development
SALT	Strategic Arms Limitation Talks
SME	Small and medium size enterprises
SPD	Freedom and Direct Democracy
STAN	Mayors and independents
STEM	Science, technology, engineering, mathematics
UK	United Kingdom
VAT	Value added tax
VSLY	Value of Statistical Life Year

The ‘Quarantined’ Middle Class: Waiting for a Break

Lucie Tungul

The stability and prosperity of Western liberal democracies depend on the stability and prosperity of the middle class. Several economic crises in the past demonstrated that economic instability, jeopardizing the position of the middle class, can very quickly lead to political instability and the redrawing of the political landscapes. Since the financial crisis in 2008, we have witnessed an increase in populism, nationalist chauvinism, and isolationism. If not addressed, the Covid-19 crisis will amplify these tendencies and significantly disturb the established order. That might be a bad thing in terms of threatening the liberal world order, international trade, and cooperation, but it can also be a good thing — a counterreaction to these forces can push Western societies towards more responsible and sustainable economic activities, towards greater support for socially deprived areas, towards higher political representation, and towards more environmentally responsible policies and individual choices.

The Covid-19 crisis made European societies painfully aware of their dependency on others, well defined by the motto ‘together we are stronger;’ we depend on other people behaving responsibly; our economic prosperity depends on trade with others, especially the well-functioning single market and the Schengen area; we need solidarity and cooperation to face the risks of this world. The 2015 migration crisis revealed how we grew confident that hazardous situations cannot affect us; many people lacked empathy for the fate of people escaping war, political oppression, and economic and environmental deprivation. The global pandemic showed us that anyone can become dependent on the help of others and solidarity guarantees survival.

One clear consequence of the Covid-19 pandemic and the restrictive measures adopted to mitigate the consequences of the disease was the increased use of new technologies, which affected a diverse range of human activities including public administration, education, shopping, business meetings, and culture. It further facilitated the already set trend of digitalisation and automation. During the pandemic, governments, businesses and people used ICT to compensate for the impossibility of direct human contact. While having tremendous potential benefits, its threat lies in the ensuing exclusion of those who cannot ride the technological wave and will lose out in the process. Already since its inception, the ICT revolution and the accompanying technological developments have caused an increasing gap between the rich and poor in the world, as well as in individual communities.

Post-1989 transition societies in Central and Eastern Europe have witnessed this development in

the last thirty years, when the economic and political transition and the subsequent Europeanization processes created its own winners and losers. The transition and EU accession brought long-term wealth, which was unevenly distributed in the society. It created a relatively vibrant middle class, whose individual segments, however, often lack in one of the three capitals along which Savage et al. (qtd in Tungul et al. 2019) define the middle class segments in our contemporary societies.¹ A large section of the Czech middle class is thus fragile, unstable and insecure; and as Tungul et al. (2019) showed, it often supports populism and authoritarian tendencies in politics. The diverse economic prospects of middle-class segments have severe political consequences leading to the polarisation of political views and choices coupled with fragmentation of political forces and personalisation of politics. The accelerated digitalisation and automation of the Czech society could further reinforce these trends.

The changing economic and behavioural patterns brought by the effects of the Covid-19 pandemic and the lockdown will create new winners and losers — economic, political, and social, which will disturb the economic, political, and social map of Czechia. We have a unique opportunity to capture the momentum and use this window of opportunity to make Czechia and the European societies more open, free, and inclusive, which applies not only to higher political participation or reform of the tax and welfare policies, but should pay special attention to reforming education, labour market, and better balance in work and family life:

1. While technology can take over many areas of human activity, caring for others is often devalued in a society, which measures success with wealth. The crisis made the indispensability of human activity painfully visible.
2. Closed schools showed the heavy deficiencies in the education system and while direct teacher-student contact remains essential to conveying knowledge, online teaching can make the education system more democratic and open reaching even the most deprived areas, if set up to address and not multiply the inequalities and deficiencies.
3. While many companies were physically closed during the pandemic lockdown, we witnessed defects in the outdated labour law and the undeveloped work-family life policies in Czechia.

In our publication, we look at the various aspects of these turbulent times and their impact on the Czech and European societies, with a special emphasis on the middle class. It was the (often) painful experience of the ‘quarantined’ middle class that exposed what it needs to flourish and not perish in the future. The authors uncover the threats and the opportunities related to the current situation, and provide recommendations for centre-right parties, who have most often represented the interests of the

¹ For discussion on middle class segmentation and a discussion on the current situation in Czechia see Tungul et al. 2019 and Radio Prague International 2019

middle class, currently most endangered class by the effects of the pandemic. The centre-right parties (together with the centre-left but we leave that for another study) will be in danger, too, if they do not present straightforward programmatic goals for the future of the middle class and honest leadership skills capable of cooperation and solidarity. Otherwise, we face the danger of further destabilisation of the political scene and the dismantling of liberal democracy as seen already in Poland and Hungary.

The Pandemic Crisis and Disinformation

Alexandra Alvarová

Exactly six years ago, we witnessed the first massive deployment of the information war as an authentic part of the armed conflict in Ukraine. The military incursion by the Russian aggressor was accompanied by an unusually strong disinformation campaign targeting not only the local population in Ukraine but also world leaders, media and opinion makers. The information campaign caused that the conflict was not initially known as *Russian Aggression* but as ‘separatist clashes’ or even ‘civil war.’ This simple vocabulary mix up has had destructive international consequences for Ukraine and the entire world.

Only a small group of experts understood that the disinformation campaign was part of a military effort to conquer another state. Politicians and the general public perceived the information operations as a ‘soft field comparable to marketing.’ Hardly anyone could imagine that local disinformation campaigns, known from the times of the Cold War when disinformation complemented the notoriously known Soviet ‘active measures’ and was applied to affect people’s mental condition and views, would become the main weapon in the information age. Their modern efficiency (not only disinformation *per se* but a wide range of means with an information effect) is already comparable with the deterrent effect of nuclear weapons. There is one small difference – the world is not bipolar any longer, we do not have any agreements like the Strategic Arms Limitation Talks (SALT) agreements and the number of private disinformation actors linked to states or the mafia are rapidly increasing. The uranium of these modern weapons are Big data.² The speed of information processing and analysis represents an enormous power potential to influence the decision-making processes of the population and the individual politicians.

The result is invisible to the general population and entails a gradual disintegration of value reference points, the loss of the ability to distinguish between right and wrong, the loss of coherence among people in the ‘conquered territories’ and the confusion of the acting politicians. This long-prepared and implemented information attack on democratic elections and the behaviour and opinions of the population remained almost undetectable for a normal person and the political representation of the state until the onset of the Covid-19 pandemic. It (tragically) remained hidden in the incomprehensible studies of IT and disinformation experts. We began to see the effects of these activities before every

² IBM (n.d.) defines Big data as ‘data sets whose size or type is beyond the ability of traditional relational databases to capture, manage and process the data with low latency. Big data has one or more of the following characteristics: high volume, high velocity or high variety. Artificial intelligence (AI), mobile, social and the Internet of Things (IoT) are driving data complexity through new forms and sources of data. For example, big data comes from sensors, devices, video/audio, networks, log files, transactional applications, web, and social media — much of it generated in real time and at a very large scale.’ Ed. note

upcoming election, when the political map of the Euro-Atlantic space began to lead towards chaos, populism, extremism, and a fatal series of destructive political decisions with long-term effects. Like the infamous frogs in a pot, we did not realise that the information space has been gradually saturated with small but dangerous lies and manipulations. The so-called Overton window, *i.e.* a range of topics somehow acceptable for public discourse, has gradually changed.

Although no one questions the bad intent of an aggressor in cyber warfare, we still have not found a way to clearly define the act of information aggression as a necessary pre-condition for retaliation. The consequences are equally dangerous if not more destructive. For a long time, we believed that the direct impact of disinformation was not dangerous. We imagined the election manipulation as a vector of the public's state of mind and of 'some trolls.' There are still very few politicians who are fully aware and familiar with the technological magnitude of the threat enabled by artificial intelligence and Big data. The very politicians elected through social media campaigns become the most vulnerable points of the democratic system.

The pandemic became not only the peak but also a possible turning point in our helpless passive observation of the information destruction. When esoteric narratives appeared in the early 2000s, attacking our confidence in science, we thought they were spread by some harmless fools. Today, the Anti-vax movement has become a public threat. When various alternative approaches to healing appeared from supportive (herbs) to the potentially hazardous (financial charlatans, esotericism), we believed that it was a marginal problem affecting victims with a low cognitive capacity. Our lenient ignorance had lasted too long. Joe Biden³ ended this period with his already legendary statement on Twitter: 'I can't believe I have to say this, but please don't drink bleach.'

The new, dangerous potential of this war lies in the incredible technological possibilities and the prodigiously precise targeting of disinformation inside information networks. Mass refusal to wear face-masks, drinking bleach, unauthorised use of uncertified medicine, rejecting the existence of the pandemic and mass rejection of the quarantines has woken us up. It has helped ignorant politicians to realise the scope of the threat we have been facing. Kate Starbird's team⁴ at the University of Washington has been following the automated spread of disinformation during crises. There are hundreds of specialists like her around the world. The results of her work have been known to only a small circle of specialists. Her studies have demonstrated that the same accounts involved in manipulating the USA elections and igniting race riots have been engaged in spreading the narratives that deny the pandemic or spread 'alternative interpretations' and conspiracy theories during disasters. We suddenly see that disinformation can have an intensive, cumulative and dangerous impact on human health and lives.

³ Joe Biden is an American politician; he served as the vice president of the United States from 2009 to 2017 and is the presidential candidate in the 2020 US presidential election.

⁴ For more information, see Starbird 2018; for recent, updated information, see also Miller 2020.

In this respect, the global pandemic represents a *turning point in our ability to acknowledge a risk*. Paradoxically, Covid-19 helped us to finally open our eyes. It intensified the consequences of disinformation and demonstrated their enormous effectiveness. Until the crisis began, most countries behaved as if the risk of spreading manipulated content was abstract and without a definite impact on the lives of the people and the state. Recently, China joined the high disinformation game during the pandemic. Therefore, Europe faces a double toxic environment, not to mention other actors such as Iran, Saudi Arabia, and the United Arab Emirates which are active in the United States and Canada.

It seems that the pandemic has paradoxically helped us so far. The most dangerous form of aggression is the one where the victim remains oblivious. If our civilisation is to survive this attack on its ability to assess and verify information, we have to act quickly and with the highest form of defensive and offensive efficiency. We will see the consequences directly and without delay.

The Czech Centre-Right in the (Post) Covid-19 Era

Ladislav Cabada

The Covid-19 pandemic that hit the world in the first half of 2020 and has not yet slowed down undoubtedly represents a ‘generational’ experience that individual societies including Czechia will struggle with for a long time. It presents numerous challenges depending if and how many waves the pandemic brings. This uncertain and unfinished process is difficult to analyse and we cannot offer ‘irrefutable’ recommendations as to how to stabilise or restart the economies or what to do in other areas of human activity.

Like most crises, the current one caused by the pandemic can have many negative effects but can also bring opportunities to innovate and modify our development trajectory, to improve administration and governance, etc. Yet, the last ten years in Czechia and in the EU brought what Ágh (2019) called a ‘polycrisis.’ The fiscal (economic) crisis after 2008 was accompanied by an institutional crisis in the EU, the rise of populism and ‘electoral earthquakes’ in many EU member states. The so-called migration crisis of 2015 strengthened the politics of fear and populists were able to skilfully promote nativist tendencies revitalising dark nationalist and chauvinist powers.

The current (post)pandemic situation follows these crises, with some actors applying the politics of fear since its very beginning. For instance, nativism led to calls for food self-sufficiency or even general autarky, preference for domestic goods or domestic tourism. Openness was presented as a mistake and support for erecting new barriers grew. As a recent analysis by Krastev and Holmes (2020) demonstrates, all these voices merge into calls for protectionism as an antidote to the global liberal order. The analysis demonstrated how the EU member states and other countries often used hate speech to ‘identify’ the origin or even culprits of the pandemic. Metaphorically speaking, the so-called coronavirus traffic lights system (see e.g. Ministry of Health 2020), marking countries based on the perceived risk of infection, could easily turn into a tool of ostracization or even hate.

The Czech centre-right parties struggle with many long-term negative trends that the crisis might reinforce, and they will have to address them now. These trends include the limited control over the government caused by the stable voting coalition in the Chamber of Deputies (ANO, KSČM, SPD) and the power tandem of the Prime Minister Andrej Babiš and President Miloš Zeman standing on a non-transparent and/or problematic implementation of several policies including foreign policy; the unclear concept of multilevel governance (a clear preference of centralised government and Prime Minister over both the lower levels of governance and the EU); a media network owned by politically

active people including the Prime Minister; and support for an authoritative type of governance among a significant section of the society.

As mentioned above, every crisis including this one can lead to a change but can also reinforce current trends. The short-term perspective (March to June 2020) in Czechia indicates the prevalence of the latter, thus, the situation has worsened. Furthermore, the consequences of the economic crisis – higher unemployment, weaker small businesses and the middle class in general, extraordinarily high debt that will affect most people, etc – can increase support for illiberal methods in both the economy and politics.

The centre-right's key role in this situation is to intensely highlight the importance of the rule of law and democratic governance based on separation of powers and checks and balances, the key role of an independent and responsible middle class as a stabilizing factor and the importance of the EU and its (but not only) single market, especially for small export-oriented economies such as Czechia. It is also crucial to appeal to intergenerational solidarity and support the lowest possible debt for future generations – it is part of the conservative worldview to save rather than borrow and carry the debt to the future. Savings can be found in many places, especially the ever-growing bureaucracy; the centre-right parties should promote a small and effective state and small and effective EU bureaucracy. They should also emphasise Europe-wide cohesion and solidarity. If the EU is considered (among other things) a tool of successful (economic) competition with economic superpowers like the USA and China, the coronavirus crisis could teach us that the EU should gain more competences in areas linked to its security and stability – dependency on medical supplies from China was not only a Czech problem and demonstrated that a crisis can be easily abused to erect new barriers among European countries.

The major challenge of the (post)coronavirus era will be the return to the politics of alternatives and ideational competition. Czech and European centre-right parties desperately need greater integration around renewed conceptual and programmatic priorities that will be in clear contrast to the leftist and authoritarian nationalist alternatives.

The Impact of Covid-19: Between Hopes, Fears and Tears for the Economy

Martin Kastler and Horst Heitz

The International Monetary Fund (IMF) is concerned about the coronavirus pandemic due to the fact that the global economy will shrink by 4.9%. The 37 OECD members, which include all major industrialized countries and some emerging economies, established a new labour market record earlier this year. Then Corona struck, destroying almost all of the employment gains since the 2008 financial crisis. As early as April, the IMF had forecast a 3.0% drop, which marked the worst recession since the Great Depression in the 1930s. The fund claimed that the negative consequences for the economy will be more serious and recovery slower than expected. This is particularly evident from the weaker consumption and higher savings rates. The United States, the world's largest economy, is expected to shrink by 8.0% in 2020. Similarly, a 10.2% decline is expected for the United Kingdom (UK), while significant minus signs are also forecast for Russia, Brazil and India (OECD 2020a; IMF 2020).

How long will it take, however, for the global economy to recover? In 2021, the IMF expects a 5.4% growth. As the driving engine of Europe, Germany is expected to have a stronger recovery with an expected growth of 5.4% next year. The best forecasts are, however, for China, where the epidemic first appeared and was, thus, contained earlier. In fact, the world's second largest economy is expected to grow 1.0% in 2020 and 8.2% next year (IMF 2020). Economic sectors such as tourism or the event industry will be, of course, affected even longer. This also applies to those regions that are particularly reliant on these sectors, such as Southern Europe. Even with all of these caveats, this 'fast recovery' is already a positive scenario. By naming it 'a single-hit scenario,' the OECD implies a worse possibility, the 'double-hit scenario' featuring a second wave of infection. The latter would trigger a return to lock-down measures, with all its associated negative economic consequences, etc. (OECD 2020a). Until we can accurately predict which scenario will take place, uncertainty will be the default attitude – and that is poison for every business, especially for SMEs.

The Covid-19 outbreak's consequences are having an extraordinary impact on SMEs in Europe, as presented by the SME Europe Survey (2020). Supply chains are affected and market access is restricted or no longer possible, due to the measures implemented by Member States to prevent the spread of the virus. The survey also shows that industries, regions and entrepreneurs are differently affected. In addition to the tourism, travel and hospitality industries, the category of the self-employed has suffered a veritable hit. Overall, however, all industries can no longer escape a recession in

the medium term. In fact, over 90% of respondents report being directly and indirectly affected by the measures taken against the pandemic. In terms of revenues, over 20% complain of a drop in sales of 80% to 100%, a further 20% over 50% and again over 20% more than 30%; 44% had a 10% drop in demand for their goods and services. Such developments threaten the very existence of small and medium-sized enterprises, because only 25% of companies and self-employed state have sufficient liquid funds and sales to survive the crisis unscathed. Only 11% have funds for one year, 25% for more than 2 months and 60% only for a few weeks. The consequences have also been seen in regard to employment, with over 25% of respondents having been forced to lay off employees or not renew contracts, while another 25% had to initiate various forms of short or part-time work for their employees. 45% have cut new planned jobs and over 68% have postponed planned investments in infrastructure/production. New liquidity is (considered to be) the key aid to help their businesses get through the crisis, according to more than 71% of SMEs and self-employed. Alongside this, over 47% also advocate the suspension of taxes and duties, while 40% at least support the postponement of taxes. An extension and expansion of bank loans would be helpful for 33% of respondents, while 21% call for a more flexible labour law to be able to respond better to the different phases of the crisis. Reduction in bureaucracy is generally demanded from all the groups. A distinct minority, only around 5%, sees no need for special measures in themselves (SME Europe 2020b).

The pandemic is not the only cause of the current crisis. It actually demonstrates that the European economy, and especially its SMEs, are not as strong as expected. They often have hardly any financial reserves, no plan B for hard times, are inadequately digitized and rely on traditional, brick-and-mortar, sales channels. Many Member States have also fallen behind in keeping up with structural investments. Debt-based blessings limit their ability to act now. Outdated infrastructures such as fiber optic and transport networks are showing their limitations during forced lock-down, especially in rural areas where a particularly large number of SMEs are located. States that have pursued sustainable fiscal policies have now more leeway to act, compared to others that have missed it. Many large companies are also shaken by the crisis. In particular, growth through massive loans can prove to be dangerous, insofar when such giants fall to the ground, they sweep away entire supply chains. This affects thousands of SMEs and, thus, saving these large corporations becomes very costly for taxpayers. ‘Too big to fail,’ we already know this phenomenon from the financial crisis. If we take into consideration the difficulty of accruing such funds and the knowledge that it probably will not be the last economic crisis in the next twenty years, it becomes much more important to create the best possible economic environment for our economy.

And how we can achieve this goal? We have to make our SMEs strong again! The European internal market must function and its full integration must be completed quickly. This means that supply chains must be restored and sales markets have to be fully accessible. Protecting the health of the population

naturally remains a priority, but we should use all possible modern tools to get the pandemic under control and re-open business. Data exchange, AI and digital technologies can help, for example, to regain freedom of movement, even under the current conditions. We should also focus on decisive investment in infrastructure, digital change, education (especially STEM⁵ disciplines) and research on a large scale – we need to use the funds to make Europe fit in the long term and secure dividends with added value for the future, turning the crisis into opportunity. All necessary infrastructure investments must be made now: they will attract new private investment that brings ‘dividends’ through growth and jobs. All useful administrative reforms, which need no legal act, should be completed as fast as possible on both the European and national levels. On the legal level, simplification must be enforced and the red tape of EU regulation sped up immediately. SME Europe (2020a) has drawn up a catalogue of these demands:

1. Tax cuts (or tax deferrals) are a crucial contribution to boosting the self-healing powers of the economy. Investments and new hires, in particular, must be ‘tax-worthy.’ In general, value added tax (VAT) should be reduced in Europe to boost domestic market demand. New taxes of any kind should be postponed for at least two years.
2. All processes related to funding, applications and grants, have to be simplified, hurdles reduced, and all related procedures fast-tracked.
3. Europe must strengthen itself as an attractive investment location with accompanying measures to promote new investment capital. At the same time, our SMEs have to be protected against any ‘cheap’ or ‘strategically sensitive’ takeover wave.
4. All useful administrative reforms that need no legal act, should be completed as fast as possible on the EU and Member States level - legal level simplification, cutting the red tape of EU regulation.
5. The flexibility of the European labour market needs to be strengthened, with special attention to the area where it is affected by bureaucratic inflexibility.
6. Improved recognition of qualifications across Europe.
7. Comprehensive digitalization of public administration.
8. The ‘One In, Two Out’ principle should be applied to all legal acts regulating the Internal Market.
9. Open internal European borders so as not to impede passenger and freight traffic. Use modern control methods.
10. Avoid protectionism, e.g. prevent dangerous narratives about buying only domestic products.

⁵ STEM stands for science, technology, engineering, mathematics. Ed. note.

11. Remove known internal market hurdles that pre-existed the crisis.
12. Before the Covid-19 pandemic, there was a backlog of investments in many areas of the infrastructure. Now is the right time to make the necessary investments, etc.
13. Rural areas are to be fully developed digitally.
14. Entrepreneurs, employees, students, and young graduates, etc. should receive digital upskilling (in order to develop digital skills and better position themselves in the job market).
15. When it comes to digitization, public-private partnerships should be at the centre of a rapid and successful digital transformation of medium-sized companies with clear target goals.
16. Innovation must be at the centre of the green deal. The goals should continue to be ambitious, while still allowing more flexibility in view of upcoming economic fluctuations in the interest of SMEs. Aid for emerging and developing countries is to be combined with the uptake of green technology.

As Winston Churchill (1874 –1965) stated, ‘Never let a good crisis go to waste.’ We need to use the current situation to assess our strengths and weaknesses, to solve underlying, systemic issues now, so that our SMEs can enjoy sustainable growth in the best possible European business environment.

The Electoral Law (R)evolution That Never Happened

Jakub Charvát and Jaroslav Poláček

The year 2020 could have been the right moment to talk about changing the Czech electoral law. This would not be a minor modification, but a significant change: the Ministry of Interior presented a proposal introducing a one-day election supplemented with postal voting before the election day and a simplified procedure for issuing electoral cards. It looks, thus far, as if the proposal will not be accepted.

Czechia – Unique in Europe

The last election to the European Parliament in 2019 indicated that Czechia is unique in two specific aspects of the electoral laws. The two voting days are completely unique; no other European country gives voters two days to vote. The second aspect is voting from abroad. Almost all EU member states allow their citizens to vote in the European elections from abroad, either by postal vote or at the consulates and embassies. The only exceptions are Czechia, Ireland, Malta, and Slovakia which do not allow their citizens to vote to the EP from abroad (Charvát and Maškarinec 2020).

All EU countries have competitive elections following basic democratic principles and in accordance with the rules of proportional representation (cf. Charvát 2018: 37–75; Charvát and Maškarinec 2020). The specific rules, however, depend on the decisions of the national legislatures and are often based on the customary rules guiding national parliamentary elections. A comparison of the voting rules across the EU member states provides an interesting probe into the national electoral laws and the differences between member states, including the aspects where they are falling behind the rest of democratic Europe.

The Postal Vote in the Times of Covid-19

Reforming Czech electoral law to include the postal vote⁶ has been an often-discussed topic for a long time now but without any tangible results. Absentee ballots, where the voter does not have to enter the polling stations, would be very useful these days. The Covid-19 pandemic demonstrated that we can work, study and take exams from home and online. Why then should it not be possible to vote from outside the polling station? Electoral campaigns themselves are going through significant changes now due to the pandemic and it would be much easier to handle if we had a more up-to-date law.

⁶ The following countries enabled postal voting from abroad in the 2019 European Parliament (EP) elections: Belgium, Denmark, Estonia, Finland, Latvia, Lithuania, Luxembourg, Hungary, Germany, Netherlands, Austria, Slovenia, UK, Sweden and Spain. Neighbouring Slovakia does not allow postal voting in the EP election, but it is possible to use the postal vote in the Slovak parliamentary election.

The greatest obstruction to the 1993 Czech electoral law came about in the spring of 2020 when the Czech government unprecedentedly postponed the Senate by-election in the Teplice district scheduled for late March 2020. The Supreme Administrative Court ruled in April 2020 that the government did not have the authority to change the scheduled date; it should have been discussed in Parliament. We witnessed an unprecedented interference by the executive branch with the legislative branch. Although the postponed election was not an expression of ill will, hardly anyone would have in all likelihood come to the ballot, the procedural act was completely misguided. The government prevented any discussion as to whether it was better to close the polling station or supermarkets (which remained opened) and the by-election in Teplice became the first victim of the unresolved postal voting, *i.e.*, the ability to vote outside the ballot room.

The requests to introduce postal voting are over 25 years old. It exists in most European countries. The proposal regarding postal voting from abroad (penned by TOP 09 in 2015) introduced the option for students to vote when studying abroad, when for instance participating in the Erasmus programme. The petitioner highlighted that it would affect at least 300,000 people abroad for whom the current system is too complicated and also those who are on holidays during the elections. Introducing postal voting opens the way for online voting, although the Ministry of Interior clearly rejected it in its last proposal.⁷

Critics of postal voting have been repeating the same arguments over the last 25 years, including concerns about the constitutionality of the election (paradoxically used mostly by the Communists), but the truth lies elsewhere. Leftist parties do not have many supporters abroad (see e.g. volby.cz) and thus have rejected the law. They have presented other reasons as well, the most common argument being that the ballot would not be secret and that the results could be manipulated. A number of political scientists (cf. Brunclík, Novák, et al. 2014). Have argued that voters are being manipulated even when going behind the curtain alone and that the law considers the personal ballot superior to the postal one. In addition, postal voting can be repeated, which complicates the possibility of corruption and vote buying.

The Minister of Interior submitted the long-awaited voting codex in late 2019 entitled Act on Election Management, which introduced postal voting. The President strongly disliked the proposal – he warned that he would veto it and also indicated that he opposed the change from two to one election days (Friday). He pointed to the possibly lower voter turnout and higher level of error because the ballots would not be distributed by post any longer, but would be handled on site (Tvrdoň 2019). Postal voting addresses both these problems, specially if available to voters both in Czechia and abroad.

⁷ Paraphrased from <https://www.top09.cz/proc-nas-volit/fakta-a-argumenty/korespondencni-volba-19550.html>, where more information about the 2015 proposal is available. If we link postal voting with online voting, claims about hackers and other security risks immediately join the debate.

Election Campaigns in Autumn 2020

All campaign managers and marketing advisors are getting ready for autumn campaigns,⁸ as the traditional increase in respiratory diseases can lead to a new wave of restrictions. Efforts on the part of candidates to meet their voters might be pointless, which increases the importance of looking for alternative interactions with the voters – social networks and well-designed websites can play a more important role than before the lockdown. Personal contact will continue to play a unique role but it is possible that external conditions will prevent door-to-door and other personal campaigning not because of social distancing but because the voter might experience distress.

Although the law would not introduce a revolutionary change, this year's campaigns will undoubtedly be different – the strict rules will apply not only to the Senate elections but also to the regional elections, which will take place for the first time ever under the authority of the Office for Economic Supervision of Political Parties and Political Movements.

⁸ Czechia will have regional and Senate (one third of Czech Senate's 81 seats) elections in Autumn 2020. Ed. note.

The Middle Class, Society, Economy and Politics after the Coronavirus Pandemic: Programme and Future Development of Centre-Right Parties

Lubor Lacina

The middle class reached its historically highest living standard in the post-war globalisation era, especially in the 1970s (due to economic growth and labour productivity). The mass participation of women in the labour market significantly increased disposable household income. Globalisation and international division of labour brought in relatively lower prices for previously luxurious goods such as cars, electronics and services including air travel and holidays abroad. EU's common agricultural policy kept food prices at a very low level.

The fall of the Iron Curtain in the 1990s brought about relatively long-term security and stability. Europe has lived through the historically longest period of peace, stability, and prosperity, also brought by the European integration process. The USA has shouldered most of the military expenses and global stability costs. The conflict in former Yugoslavia, the Eurozone crisis, the migration crisis, the current Covid-19 pandemic crisis, Donald Trump's policy focusing more on US domestic needs and the rising dominance of China bring many questions as to whether this trend is sustainable in the forthcoming decades.

Social Democratic parties have fulfilled almost all their programme goals and in consequence have been losing electoral support and have had difficult times finding new programme goals for the twenty-first century. Social market economies can secure rising living standards for most people and protect socially excluded groups from falling into poverty. The problem will not be the high unemployment rates or the high share of households (individuals) with minimal wages living at-risk-of-poverty threshold but the question of sustaining the current living standards including the environmental sustainability of economic growth driven by international trade. Parties across the political spectrum are looking for new programme priorities. Political parties left and right of the political centre struggle with generating original programme priorities. Most voters cannot find notable differences between the programmes of the traditional political parties.

As a small open economy, Czechia ranks among the top countries that are highly dependent on international trade, international capital flows, international division of labour and deepening European integration (especially the best functioning single market possible). The Czech economy has very

low Gini index measuring income inequality in a given society (Dubská and Zeman 2015; Knoema 2020) caused by a generous welfare system and relatively high labour taxation enabling redistribution of wealth from people with high income to people with low income. The high tax burden on labour and relatively high taxes levied on consumption (VAT, consumption tax – excise duties) represent, however, a heavy burden for the middle class. The state believes that it is much easier to collect money by taxing labour and consumption than taxing the profit of large corporations.

The economic restrictions imposed by the government since March 2020 have been reflected in the income of Czech households. A Czech Banking Association (ČBA 2020) survey of 1,102 respondents aged 18 to 79 indicated that half had savings for up to six months; one third (33%) had savings for three months and 18% for one month. Economists recommend that to bear the cost of unexpected income loss like the coronavirus crisis, Czech households' savings should equal at least the sum of six-months of average earnings.

The Czech government reacted to the coronavirus crisis by approving a CZK 500 billion budget deficit for 2020. This raises the question whether the money will be used sensibly. We should consider whether we are facing a crisis of supply or demand, therefore, whether state aid should target companies or raise household purchasing power by introducing, for example, tax breaks. The consumers' right to choose which goods and services are valuable and desirable can become a much more natural selection process than providing subsidies and concessions to private businesses. Flat aid of any sort tends to support companies and sectors, which would normally leave the market because they are redundant or ineffective. They take the place of businesses offering new solutions, ideas and innovations. Another question is whether deficit spending will or will not generate future economic growth, essential for sufficient tax collection in the future that will pay for the deficit and the debt created today. The risk is to secure additional budget revenue (income) by yet again taxing labour and consumption, *i.e.*, taxing the middle class which already carries the highest tax burden. Centre-right party programmes should emphasise the below presented values, countering populist parties and movements but also centre-left parties that offer assistance and financial support to almost every voter regardless of the future generation's obligation to repay the resulting debt:

1. What one person gets without work, another had to create for free. Businesses and taxpayers should not think that help is available only for those who struggled already before the crisis.
2. The state cannot give anything it had not previously taken from someone else. Debt created today will be repaid by the future generations.
3. Half the people thinking that they do not need to work because the other half will look after them and the other half finding out that it is not worth working because someone else gets what they created leads to the beginning of the end for any economy.

4. We should be wary of unsustainable social and health care systems, which have proven fundamental for providing services to the ageing European population.

Given the priorities listed above, the centre-right programmes should focus on the following priorities:

- Centre-right parties should have a natural electorate based on predominantly the middle class and should focus on liberal (market) values and sustainable living standards based on a balanced but robust social welfare system. They should actively open the discussion and implement pilot programmes for unconditional basic income as already tested in Finland and Germany.
- Centre-right parties should emphasise the debate about the priorities of the expenditure policies. They should discuss whether state expenditures should focus on economic growth support (e.g. innovation support, transportation and other infrastructures) that would lead to higher tax revenue funding the social and health care systems, or find savings in other expenditures categories and fully prioritize health care and social policy expenditures, which are crucial for the ageing population in countries like Czechia.
- Centre-right parties should clearly declare their positive relationship to the European integration project emphasizing the Czech active role in the decision-making processes and the formation of European primary and secondary legislation. Centre-right parties should clearly declare their interest in being at the ‘core’ of the EU integration process, *i.e.*, keeping Czechia in a group of countries, where Germany holds the dominant economic and political position. Joining the eurozone is part of this strategy given the size of Czechia and the declared goal of strengthening the member state cooperation in the foreign and defence policy.
- Centre-right parties should clearly declare their goal to introduce European company tax aiming at fair taxation of multinational corporations. Higher tax revenue from the business sector (capital holders) would enable gradual tax reduction for the middle class burdened by high labour and consumption taxes.
- Centre-right parties should clearly define their interest in creating a robust – integrated European capital market, which would become an alternative way to fund start-ups. The current system, using the banking sector, is a very limited way of starting and developing business ideas; the banks consider them too risky and without a business track record.
- Centre-right parties’ programmes should focus on environmental topics of sustainability and emphasise the need to balance the negative effects of globalisation with regionalization, e.g. producing food closer to the end consumer.
- Centre-right parties should clearly declare it is a Czech national interest to strengthen Czech capital and even out the crooked economic trend whereby most business owners are foreign (a legacy of the Czech post-1989 economic transition from a planned to a market economy).

Three Social Aspects of the Coronavirus Crisis

Bedřich Moldan

We all agree that Europe and the world at large will be different after the Covid-19 pandemic, although we do not know the details yet. We should prepare for the changes and we should not waste our time. I would emphasise the following three factors:

1. The current crisis did not eliminate any of our previous challenges. It just added a new one. When it subsides (and we hope that happens in the foreseeable future), we will still face all the previous hazards including the increasingly urgent global climate crisis. While we are targeted with new and disturbing news about Covid-19, we also face an abundance of information about the quickly advancing climate change (occurring faster than scientists expected) and its manifestations. Especially disturbing are news about rising global temperatures, the melting of polar and continental icebergs, rising sea levels, and the higher occurrence of extreme hydrometeorological incidents both short-term (storms, rainstorms, floods, hurricanes) and long-term (heat waves, catastrophic draughts, large scale fires) and the negative impact on the natural world.

Scientists and world political leaders agree that we need to invest our utmost efforts into radical reduction of greenhouse gas emissions, which remains a vital tool in alleviating the signs of climate change, especially in the near and medium-term future. The clearly defined goal of carbon neutrality specifically includes the complete elimination of fossil fuels as a source of energy for production of electricity, transport, heating and many other activities. This requires the reform of the energy sector including the full utilisation of new renewable resources in the broadest sense but also restructuring the systems for preservation and distribution of electricity, transport, construction, industrial production (e.g. using hydrogen to produce steel instead of coal) and the current extensive technical infrastructure.

This will have a deeper impact on the entire economic system and everyday life than we can possibly imagine now. The changes should be very fast; carbon neutrality has to be achieved by a system of gradual steps but in the shortest possible time. The European Union agreed in December 2019 to meet this commitment by 2050 (Morgan 2019). Some countries want to reach the goals earlier, e.g. Austria by 2045 (Euractiv 2020) and Finland by 2035 (Ministry of Environment 2020). The Czech Prime Minister pledged to meet the goals by 2050.

2. This is a process that is more global than Covid-19, which clearly demonstrated how our world is interconnected. Its critical feature was a lack of global coordination and the dangerously deep erosion

of multilateralism. The unfortunate decline in the fundamental role of the USA and Chinese efforts to take its place (which would have been a true disaster) places Europe at the centre. If Europe cannot accept the role of a world leader with dignity, a genuine disaster is coming because there is no other meaningful alternative. This applies not only to the global climate crisis but also to many other areas and the entire globalisation process including world trade and the global financial system. European integration is an irreplaceable prerequisite for Europe's successful role in the world, which should be guarded and strengthened with maximum effort. We need to fight forcefully against both open and hidden efforts to disintegrate Europe, no matter where they come from.

3. The challenges ahead of us are unprecedentedly pressing and demanding in all their individual aspects. The decisive factors are the systems of governance and institutions, whose preservation, strengthening or erosion depend on the political structures. The role of the political parties is key as their correct functioning is crucial for the entire democratic system and its institutions, which are seriously threatened by the rise in populism linked on the national level with the destruction of the very same democratic structures, which rely on the socially responsible parties and their free competition unaffected by power interventions. Populism leads to a rise in nationalism, it overemphasises vaguely defined or undefined and short-lived national interests and increases isolationism. The erosion of multilateral institutions, including the treaty systems and international commitments, is extremely dangerous on the international level.

This context highlights the importance of centre-right parties. They are legitimate representatives of the middle class, guardians and reinforcement of the current institutions and possible representatives of progressive, future-oriented development on the national, European and global levels. Permitting their further fragmentation and destruction will be a definite disaster, as they do not have any legitimate alternatives.

Money or Life? The Social and Ethical Limits of Utilitarian Corona Ethics

Elmar Nass

The aftershocks of the Covid-19 lockdown have been expensive for everyone causing economic recession, unemployment, domestic violence, mental illness, mountains of debt, postponed medical therapies, etc. If one wants to put it all into an economic formula, real and potential future costs have to be offset against the benefit gained from it, i.e. the lower number of deaths in the present.

Such a cost-benefit discussion was initiated in the UK by the economist Toby Young (2020). He draws a speculative balance for the lockdown scenario on the one hand, and for a hypothetical abandonment of it on the other. Whether or not a lockdown is justified is a question of weighing up present and future life. For this purpose, a monetary value of life years saved is calculated. The model of the economic value of a statistical life year (VSLY) is applied here. The VSLY measures in money terms the willingness of a society to pay for the potential gain of one additional life year. This value is used to compare the victims of life years today (due to higher mortality in the case of lockdown renunciation) with the future victims of life years (in the case of current lockdown). All possible secondary and late consequences are taken into account. Young comes to the conclusion that it would have been worthwhile in the long term to reject lockdown. Victims of life years today (measured in money) would be more than compensated for by the life years gained in the future, according to the thesis.

Such a utilitarian logic should no longer play a role in comparable ethical dilemmas of the future. It harbours numerous risks which must be considered ethically and politically, especially in the context of political responsibility for social peace (Nass 2020):

1. The rejection of the lockdown, favoured by Young and others, accepts sacrifices of life years in the present in order to potentially save life years in the future. This calculability is age-discriminating.
2. Such calculations suggest that it is a matter of weighing up (present) and (future) life. This fails to recognise, however, that the cost-benefit analysis ultimately only compares speculative sums of money. It is not about the self-value of life, but only about what is economically measurable. Human dignity is relativised under the utilitarian utility calculation.
3. Consistently, measures with Social Darwinist consequences for old, dying and disabled people

could be justified on such an inclined path. For these fellow citizens are supposedly costing society something now, and this money should be better invested in the future. Such economic imperialistic sounding logic in the sense of Gary Becker⁹ is highly dangerous. Such a policy leads to a split in society and in turn subordinates the life value of a person to economic calculations.

4. A responsible evaluation of the lockdown scenario must view human life as an objective value. Following Julian Jessop (2020) - in the line of Michael Sandel's argumentation (2013) - an ethical consideration of human life beyond utilitarian temptations should assume objective values that cannot be measured in money without losing their essential value. The acceptance of human sacrifices today for the benefit of future human lives is therefore forbidden. Jessop (2020) points out that a comparable calculation in World War II, for example, would have prevented the USA and the UK as allies from landing in Normandy, with all the consequent dead. This decision, however, was legitimate. The Christian Social ethics that I follow are also based on such values, which must under no circumstances be subjected to cost-benefit analyses.
5. An explicitly Christian perspective also takes into account the fact that the future (and its quality of life) cannot be exactly predicted today, because it also relies on the free intervention of God. God's intervention cannot be pressed into the template of speculative cost-benefit games. This also justifies an attitude of human modesty and/or humility.

Conclusion: hands off utilitarian logic. It relativizes human dignity, divides society and spurs a human hubris of omniscience.

⁹ Gary Becker was an American economist. He received the Nobel Memorial Prize in Economic Sciences in 1992 and was one of the fathers of American neoliberalism. Ed.note.

The Game of Fates - Not Only of the Middle Class

Filip Nerad

Sociologists have been warning us that the gap between the rich and the poor is widening in Europe. This applies to Czech society as well although its poverty level has been relatively low and social inequalities small (smallest in all of the EU) (European Commission 2020; Chen et al. 2018). The coronavirus epidemic, and the expected heavy damage inflicted upon most areas of human and economic life, will influence this trend. The full extent of the damages cannot be fully estimated at this point but we can deduce the scope of its impact by looking back at past crises. The social gap will most likely widen; the poor will become poorer because of rise in unemployment and drop in income (including related problems of rising debts and distrains) and most of the wealthy will at the very least preserve their status. It is especially the middle class whose fate is at stake now.

Small and medium size entrepreneurs (SMEs) belong to the middle class and are one of the key employers and engines of the market economies in every European country. While other European countries (Germany, UK, etc.) provided quick assistance to their SMEs to survive the hardest times and keep the businesses going, Czech SMEs tended to receive more promises than actual assistance. For many this might – and probably will – be fatal and will kill the businesses, thereby affecting their employees. Qualified workers already belong to the middle class too. As mentioned above, Czechia has had relatively low social inequality levels. The exceptions have been the north-western and north-eastern regions that have had the highest unemployment rates, the highest increase in the number of pensioners under the poverty line and the most school dropouts. They have experienced rising debt, homelessness and social deprivation. For many years, the European Commission has criticised the Czech government for ignoring this problem - or not doing enough.

If at least part of the middle class will face similar problems, current experience shows that it cannot rely on the government much to prevent this development or provide a swift correction. The government will more likely blame the coronavirus for the situation. Tens of thousands, of up until now economically very active people, will be relegated to welfare recipients or – and this is the better scenario – will become employees of the ‘safer’ public sector. Probably only the bravest will start a new business after such an experience. One engine of the economy will slow down.

The socio-economic fall of the middle class – or a part of it – can also have significant political consequences. The last few elections demonstrated that disappointed people from a lower social background tend to vote for political extremes and are inclined even to believe those who claim that

the cure lies in leaving the European Union. Tomio Okamura's SPD¹⁰ received a significant number of votes in the last Czech parliamentary election thanks to this; extreme parties in France, Germany, Italy, and in other European countries also benefited from this development. Therefore, Czechia can sow the seeds of its future political problems as well. It is already one of the most Eurosceptic countries in the EU (European Parliament 2019) although it has benefited from the EU membership and from the access to the European single market like almost no other of the new member states (cf. Muller 2017). When the thus far economically active and creative class segment starts sinking to the bottom, it will lead to negative consequences. And the EU will become the first victim because the EU has become a traditional 'whipping boy' for any problems.

The coronavirus crisis bore witness to this. The EU was blamed for giving a weak and slow reaction to the rising pandemic despite the fact that the member states did not provide it with the authority to face these types of risks. The criticism of its weakness was heard especially from those, who otherwise loudly complain about the EU's 'dictate' and too extensive interference with national sovereignty (cf. @VáclavKlaus_ml 2020; Tomio Okamura-SPD 2020). Despite these oxymora, part (not only) of the Czech public responded well to the criticism of the EU (CVVM 2020). The political winner of the crisis are (very relatively) the national governments that had undertaken harsh restrictive measures and not the EU which tried to coordinate and provide assistance.

It is highly unlikely that this trend will change after the expected devastating impact of the crisis on the lower and middle classes. On the contrary, it will be most likely intensified as it was precisely the case after the global financial crisis a decade ago. The damage will become fully evident next year, and the remedy will be only gradual. Czechia will hold parliamentary elections in 2021 and there is an increasing risk that some type of political extreme (whether an existing one or a new force) would succeed. Therefore, the coronavirus crisis could mean not only a dramatic fall in economic growth, rising unemployment and huge debt but also a further digression from the post-1989 trajectory onto the political periphery of the EU. Political extremes are always linked to populist anti-EU sentiments in Czechia. After all, there might be more at stake than 'just' the fate of the middle class.

10 SPD is a populist, anti-immigrant and Eurosceptic party that controls 22 of 200 seats in the Czech lower house of Parliament. Ed. Note.

Escaping the Crisis Trap

Danuše Nerudová

As the acute health crisis has passed and it seems that at least the first phase of the pandemic is behind us, it might be the right time to look back and assess how Czech society handled the crisis, what the crisis took and gave and whether it can turn into an opportunity. Looking back at how society behaved the last 20 years, it might look like it deserved this experience. The visible changes in the countryside caused by draught and climate change still could not convince global political leaders to radically reduce carbon dioxide emissions. The main argument against this was the need for ‘unlimited’ economic growth that would lead to the growing well-being of the western world. People have possibly forgotten that the gross domestic product (GDP) is a *relative* indicator that does not reflect the true quality of life because it for instance does not measure air quality or availability of water. Covid-19 is a warning. The virus has shown governments that societies can have different priorities such as the health care system that triumphed over prioritizing unlimited economic growth. The virus has produced mostly negative externalities but also a positive one in the reduced carbon dioxide emissions caused by the substantial reduction in transportation and industrial production.

The key experience the coronavirus crisis brought to Czech society was the loss of the false sense of safety, built up for many years without realising that the world around us has globalised to the extent that it is necessary to care about things that happen far away from Czech borders. Every cloud has a silver lining and the loss of this false sense of safety can have two fundamental consequences. As a society and as a state, Czechia can finally take up its role in global politics and become more interested in the consequences of conflicts that take place far away from the country; and understand that it carries a share of responsibility for European and global developments, which have a direct impact on the globalized world. As individuals, Czechs might finally recognise their individual responsibility and that everyone should primarily rely on themselves and not the state.

Czech society reacted to the crisis with an outstanding performance. Masters of improvisation, Czechs made DIY face-masks for doctors and retirement homes and 3D printed face shields for doctors. This might be a legacy of the totalitarian era in the country. Czechs, unlike affluent western societies used to abundance, know the art of improvising. The renowned Czech DIY and the tradition of singlehandedly solving shortages turned into an advantage. The crisis also revealed the state’s limited ability to plan and manage strategically. While neighbouring countries’ governments presented detailed plans and clearly defined steps for ‘unfreezing’ their economies, the Czech business sector

faced chaos and completely unpredictable, often precipitous and unsystematic, ‘unfreezing’ of the economy which further increased the already high level of insecurity about the economy. Just as the virus will remain with us until we have a vaccine available, additional extremely serious problems will persevere. The crisis represents an opportunity to rebuild the Czech economy, an opportunity to move towards production with higher value added and move from the position of a free rider to a trend setter. Several steps have to be undertaken, however, to achieve this.

The most fundamental step is to change our thinking – all public policies should reflect a move from the theory of unlimited economic growth to sustainable growth. The key essence of changing the economic structure is providing support to innovation, to promising fields such as biotechnology, nanotechnology, artificial intelligence, cosmology, chemistry, and to the modernisation of industry at large. This also includes investment into drought adaptation measures. Smart investment should also address food and energy safety. Another key aspect of success is decentralisation. Money should reach the regions. ‘Smart cities’ represent a great opportunity because they make consumption more efficient and increase quality of life by using modern information technologies. This idea should extend to include ‘smart villages.’

International cooperation represents an essential part of success. The crisis clearly demonstrated that a small open economy must be part of a larger unit from both economic and security perspectives. Last but not least, trust should be one of the basic essences of the post-Covid 19 economic eco-system; reciprocal trust. The state has to trust the business sector and cut the related red tape; the business sector should trust the state that it will do all it can to restart the economy and support sustainable economic growth. The coronavirus crisis is a second chance given by nature to people. It is high time to take a step forward and reach out to others. People have great potential and realising what the fundamental values are in life during the crisis will help them overcome its consequences and realise that people are the key to change.

The Post-Covid 19 Era: Communication, Debt and the Future of Europe

Luděk Niedermayer

The crisis linked to the pandemic that started in China represents a new type of crisis, that we have talked about in the past but had not prepared for and could not imagine on this scale. The healthcare side of the crisis is not over yet. When writing this, the situation is still very serious in for instance the USA and equally serious are the expectations that a second and subsequent waves might commence now or later. Despite the encouraging news, it is not certain if a vaccine will be available soon and if it will work. Together with (now revived) memories of the financial crisis that began in 2008, we have several ‘certainties’ that we should consider in our discussions about where society should head in the future. These are already worth thinking about:

1. States, Borders and Current Threats

Nationalism, quite extreme in some cases, is a current trend in politics. And it is a successful one. Trump’s America First (reminiscent of the quite controversial campaign of the same name from the 1920s and 1930s) or the victory of the Leave camp in the Brexit referendum (confirmed by the victory of the Conservative party in the 2019 parliamentary election) are only its clearest examples. This trend clashes with the fact that current problems and threats ignore borders, within which some politicians want to close ‘their people’ mentally or physically. This is not only valid for viruses, we need only recall how Czechia was hit by the 2008 crisis despite the fact that Czech banks were in good condition and the public finance policies were among the most restrained ones in Europe.

It is too early to draw lessons from the crisis. Although we have a great deal of data about the virus in the individual countries, they are not particularly comparable and it is difficult to understand why the progress of the disease differs so much among the countries. It seems as if those politicians who promote ‘their own solutions,’ often go against facts and ‘are not afraid’ to bamboozle their audience, have not been very successful in this crisis. On the contrary, despite the initial hesitation, a significant number of Europeans understood that the solution to the crisis in terms of both the healthcare system and the economy, will be more efficient, faster and less painful if we cooperate. Although we should not underestimate the communication skills of many politicians, this crisis could help people understand that ‘together we are strong.’ That by the way does not apply to Europe only. It is hard to imagine that a future major crisis that, we do not know anything about now but which could

come, would require an approach other than a shared one. If the consequences of this crisis push us to cooperate during the next one from its beginning, it would be a treasured legacy of this pandemic.

2. Europe and Its Future

The months immediately after the crisis brought a remarkable change. The first weeks (of heavy propaganda) made it look as if the best allies of Covid-19 stricken Italy were China and Russia. The picture is different today but we should not forget that the EU's initial unwillingness to cooperate represented a missed opportunity to contain the crisis together by better coordination and sharing information. It is apparent that a consensus is slowly arising wherein the EU needs much closer cooperation when adopting healthcare measures and that needs a fiscal authority, which will support the restart of the EU's economy. A breaking point was reached when Germany openly admitted that its very strong economy will not return to prosperity unless other countries recover and it is willing to invest 'its' euros in that process.

The requests of many economic experts that not only the EU member states' national budgets but also the EU 'wallet' (no matter how small) should play a clear anti-cyclical role could finally materialise. The European Commission's plan is far from perfect but it is obvious at first sight that we should first agree on creating a debt and talk about its repayment later. We can disagree with some of its technical details but approving it would mean a great move forward in terms of the logic and the operations of the EU – under the assumption that the plan is implemented and will help to revive the EU economy. The momentum does not rest in creating 'EU debt' (it existed in a similar form before) but in making joint reactions to similar shocks a rule. This would lower the impact of the crisis and many Europeans could reach a better understanding of the EU. We have this chance now and it would be a good idea to make use of it.

One of the main beneficiaries of this 'new architecture' would be countries like Czechia. Czechia is a middle-size country, in a 'dangerous' zone and thus a well-functioning EU is a prerequisite for its stability and development. Exports represent an unusually high share of the Czech GDP; growth can return only if the entire EU economy recovers because German companies, the main Czech export market, sell their products across the EU and globally. 'Reviving the EU' coincides with Czech post-crisis interests.

3. Who Will Pay?

Crises lead to an increase in public debt. State budgets fall into deficits because income falls, and the deficit increases with the anti-crisis budgetary measures (which if 'smart' make economic sense) (OECD 2020b). Despite some improvement in the EU member states' budgetary policies, the debt will increase a great deal (related to their GDP) and a similar situation will occur in major non-EU countries. A question arises as to what that means and who will pay. It is certainly true that a small debt is better than a big one, but it is not true that 'big debt' is unsustainable. A vital variable is the

interest rate on the debt. Hypothetically, if the country's debt is 200% of the GDP and the interest rate is 1%, it is a comparable situation to a country with a public debt at 50% of the GDP but an interest rate of 4%.

Highly indebted countries (debt above 100% GDP) need low interest rates, which depends on their credibility (risk premium) and monetary policy (inflation and central bank's interest rates). One question is to what extent the central bank's policies respect the 'debts of their Ministry of Finance.' If they do and it leads to higher inflation, it would not be good news for the people because most of them pay the price of inflation. More and more people talk about 'erasing' the debts if central banks, for example, buy them. This is a completely unknown territory, not unlike the 'genie in the bottle.' The most likely outcome would be similar – the risk of inflation, which again is not good news for most people who have savings because they usually erode with inflation. The 'more usual' road taken supports at least moderate attempts to control the country's debt, for instance, trying to lower not the amount of the debt but its share of the GDP. The major helping tool is fast economic growth. There is no doubt that the solution does not lie in state expenses on debt (after the crisis) but in structural reforms that facilitate entrepreneurship and increase economic competitiveness. It would be good news if the governments chose this road.

A successful acceleration of growth would not be sufficient to reverse the negative trend of public finances – it would not turn the planned astronomical deficits into surpluses. Taxes enter the picture, which is a tool threatening especially the middle class in society. The current logic of tax collection is the following: higher taxation of people with low income is tricky and might lead into the trap of inactivity or the worsening social structure of the economy (the poor will become hopelessly poor) and such a development jeopardizes the stability of society and its 'productivity.' People with a lower income have a 'distinct voice' in the elections, which together with economic problems, arising from higher taxation of less wealthy people, disqualifies this possibility. More controversial is the 'knowledge' that it is difficult to tax wealthy people, which rests on an already outdated logic of very low capital taxation (a concept relevant perhaps 100 years ago but hardly today) and high mobility of very wealthy people's income. As a result, effective taxation of the very wealthy is low and some parts of the political spectrum very actively defend it.

If we accept the limits on these two antipoles of the social stratum divided by income, we come to the conclusion that the bill of the crisis will be paid (as in the previous crisis) by the middle class. If the bill is too high, part of the middle will descend down amongst the poor, from whom the state can barely take any tax at all. This would be devastating to the development of society. We can face it, however, using a combination of these three steps:

1. The state financial policies should be cautious and should only finance clearly meaningful economies with the aim of facilitating stabilisation and lower debt.

2. Tolerating low taxation of very wealthy people and multinational corporations should come to an end. Especially at present it is not acceptable that their tax share is paid by the middle class or SMEs. This is technically difficult and requires the cooperation of other countries; some of them build part of their prosperity on doing 'magic with taxes,' but it is inevitable if we do not want to lay the grounds for the next crisis.
3. We need an economy that will not push the middle class among those who do not have money to spare. We instead need an economy that will make it easier for the lower classes to move upwards. The roadblocks that limit it today (starting in schools) are plentiful but it is essential from the economic perspective and for the healthy development of society.

The Covid-19 Pandemic and the Crisis of the Middle Class

Jiří Pehe

The measures adopted by national governments in reaction to the new type of coronavirus will have a fundamental impact on all of society. The countries which have undergone an economic and political transition to a market economy and liberal democracy since their communist regimes fell thirty years ago will witness a greater impact of the crisis on the middle class than many Western European countries because their middle class is still relatively weak and unsettled. In the West, the middle class, is made up of better paid state employees, some professions, some self-employed and owners of small businesses. In Czechia, the social groups that belong to the middle class have only become more numerous recently during the relative economic prosperity which started around 2013.

Right before the coronavirus crisis began, the position of the Czech middle class was relatively complicated as indicated in the extensive research survey *Divided by Freedom* –sponsored by Czech Radio (Kočí, Zlatkovský and Cibulka 2019).¹¹ Sociologists have divided Czech society into six segments – two types of upper middle class, three types of lower middle class and the impoverished class. Their methodology is based on sociological theories,¹² which argue that a person’s position in society depends not only on their income and property but also on contacts, connections and cultural preferences – their tastes and choices in terms of leisure time. In the above mentioned study, the upper middle class includes the so-called *Secured Middle Class* and the *Emerging Middle Class*; the former is the wealthiest of the six examined segments and the latter, the *Emerging Cosmopolitan Class*, has less wealth but can rise quickly thanks to connections, cultural capital, language and digital skills. Together these two prospering segments make up about one third of society.

About half of the Czech population falls into one of the lower middle class segments (*Traditional Working Class*, *Class of Local Ties*, *Endangered Class*). The members of the *Traditional Working Class* have steady income and wealth, but lack additional resources. The *Endangered Class* is the opposite – they have solid connections and often good education and cultural knowledge, but cannot unlock their potential and transform it into higher income and wealth. The *Class of Local Ties* are people with their own property and good contacts in the area where they live, but are rather poor in the other capital categories. Every sixth person falls into the category of the *Impoverished Class*, who sociologists do not consider middle class. The members of this class lack all types of capital: income, property, social contacts, cultural knowledge and new types of competences.

11 For English summary of the main findings see Radio Prague International 2019. Ed. note.

12 See e.g. Savage et al. 2013.

This social stratification is a good starting point in order to assess the possible effects of the coronavirus crisis, which will negatively influence all levels of the Czech economy – from (un)employment rates to the ability of small businesses to ‘stay alive.’ It will also have a fundamental impact on people’s ability to pay rent, loans, and mortgages and the ability of companies to pay their loans. The OECD reports from June 2020 (2020c; 2020d) estimated that Czech GDP will experience the fifth sharpest GDP decline of all OECD member states as a result of the coronavirus crisis – 9% of the GDP. The OECD also predicted 7% growth in 2021 but this estimate depends on many unknown variables including the likelihood of a second wave of the coronavirus epidemic and the condition of economies crucial for the export dependent Czech economy. We expect that a deep crisis will gradually hit all sectors of the Czech economy, which is more dependant than most other EU member states on exports. It will face the consequences of radical measures adopted by the government at the beginning of the pandemic. It is not only the OECD, but also other organisations and think-tanks which believe that the countries which did not immediately close their borders and which allowed most of the economies to operate in some limited mode will feel the effects of the crisis less. Most of the impact will be felt in countries that adopted radical measures ‘overnight’ including closing the borders in both directions and bringing their economies into a standstill. Heavily export-oriented countries such as Czechia will be profoundly affected by the broken supply chains caused by the sudden closure of state borders.

It is apparent that the lower GDP will affect all the segments analysed in the above-mentioned survey but will not affect them equally. The impact of the crisis will be easiest for the upper middle class, which the survey called the *Secured Middle Class* and which mostly includes people who have enough resources to overcome longer periods of economic insecurity. These people might be dependent on one employer (usually large multinational corporations) but they usually have sufficient wealth to not suffer economically if they lose their jobs. The same applies to businesspeople, who succeeded in the past and invested their wealth well.

The *Emerging Cosmopolitan Class* is more fragile because it has less wealth and its current economic success rests on its cultural capital and language and digital skills. The economic crisis brought about by the pandemic will have global dimensions and will not spare any country, which means it will be more difficult for this segment to offer their services outside of Czechia as they would have been able if the crisis had been more local. Their skills and cultural capital, however, will be in high demand during the economic recovery once the worst stage of the crisis passes. It can be expected that the crisis will not affect them as much as the members of the lower middle class.

The lower middle class was divided into three segments: *Traditional Working Class*, *Class of Local Ties* and *Endangered Class*. The first segment – *the Traditional Working Class* – especially will suffer greatly. The government first provided extra hundreds of billions of crowns creating an unplanned budget deficit to provide short-term assistance to businesses and employers together with loan

guarantees and loan payment suspensions (even rents). This type of government support can only go on, however, for only a limited period of time. Banks will begin renewing loan and mortgage payments in autumn 2020 and it is quite possible that many (especially small, export-oriented or service-based) businesses will not be able to meet their commitments.

We can expect a wave of bankruptcies or – in an optimistic scenario – lay-offs in companies that survived the first stage because they received state support. Household purchasing power will decline significantly and the deferred consumption will lower the demand for luxury goods such as cars and electronics. Those segments of the middle class that will have to repay loans and mortgages will be particularly exposed. We can expect that the crisis will affect the middle class in several ways: a change in the current status of some members of the upper middle class who will move into one of the lower middle class segments; it also seems likely that the people whose income comes from employment or small business, who will lose their jobs or businesses, will also lose their middle class status and become part of the *Impoverished Class*. We can generally predict that the stratification of Czech society will return to the pre-2013 status when the country was coping with the consequences of the 2008 financial crisis.

Facing the Truth: Church-Bound Members of Society after the Pandemic

Tomas Petráček

This paper focuses on how the pandemic affected and changed the part of Czech society that relates to Christianity and practices its faith in traditional denominations. The situation in most European countries is surprisingly very similar. The Christian environment has been experiencing anxiety for a long time caused by ongoing secularisation. Inter-generational transfer of faith in families has been failing, with parents and grandparents perceiving it as a personal failure when their children and grandchildren become alienated from religious life at the first opportunity and free themselves from the Church.

We nevertheless find numerous believers in educated Catholic circles that we can label middle class. They do not perceive current society and its culture as hostile, but are able to see the positives and the benefits, including the fact that it in many aspects promotes authentic Christian values more effectively than during the era of the confessional monopoly of Christian churches in modern history. They do not share and support the identity discourse of certain leading members of the Czech Catholic Church - very similar to the other post-communist countries in Central Europe - that defines itself *en bloc* against the progressive efforts of some parts of society and uses the Church as an ideological pillar and a platform for conservative political and social forces. An example of the cultural wars simulacrum would be the question of ratifying the Istanbul Convention on preventing and combating violence against women and domestic violence. Some members of the Czech Catholic elites label it as yet another tool of gender ideology penetration and use it to mobilise believers and divert their attention from disturbing questions related to the present and the future of their Church (Petráček 2020).

The Covid-19 crisis emphasised these trends and at the same time shattered certain notions about Church leadership and the images of some Christians about their own importance. Most European countries have completely ignored the interests and needs of the churches as institutions. In Czechia, where the Minister of Health graduated from a religious school, the Prime Minister replied to a question about the pace of relaxing the adopted measures ingenuously admitting that no one in Government thought about the churches. This was a moment when the traditional churches learnt about the actual state of things, their real weight and influence; it was a cruel wake up call. The German theologian Günther Thomas (2020) stated that the government considered Baumarkt more important than church

services, while brushes were more important than prayers. The churches should not merely feel sorry for themselves, however, and play the victim. When they present themselves in the political sphere as socially important groups active in charity work which act mostly as moral agents, they represent a value, but not an indispensable one. In other words, in the effort to achieve or maintain the social or political recognition of their importance, they become irrelevant and the crisis has clearly proven it.

Thomas (2020) specifically lamented that the leaders of the local churches did not directly speak about God, which is their primary job. The moment of existential and existentialist needs of the masses provided a perfect opportunity; a word of hope, religious hope, that comforts, liberates and encourages. In this time of crisis, the Church leadership should have offered a brave spiritual and theological orientation that would articulate what no one else could offer: we have been hit but God has not abandoned us. Thus, we have hope and trust (Thomas 2020).

Mathias Horx (2020) speaks of historical moments when the direction of the development alters; we can view the virus as a harbinger from the future. Its drastic message reads as follows: human civilisation 'ist zu dicht, zu schnell, zu überhitzt geworden.'¹³ In order to have the message heard, it must become more considerate, responsible, sympathetic, more aware of mutual interdependency, happier and has to face cynicism (Horx 2020). None of the most dangerous global trends, that the pandemic revealed, pertain to traditional European Churches, they have quite the opposite problems. The values that Horx perceives as the cure for our civilisational problems are paradoxically fundamental Christian values. Here lies the role of the pandemic crisis as an incentive and as a chance to renew society and traditional Christian churches as well.

This would mean that the members of the educated middle class confirm their belief and intuition that the Christianity of the future is linked to the religious lifestyle and faith content as articulated and represented by Pope Francis. They should follow his style and stop defending or conquering the social and political spaces, symbolically self-affirm, accumulating property, political power and connections. It is crucial to return to the simple substance of the Christian faith as harbinger of good news and perceive the Church as 'a field hospital' (Zulehner 2016).

Public church services did not take place for over two months and were even later strictly limited so families and households depended on themselves to celebrate Sunday. This enhanced the process of emancipation, a sort of disaffiliation from the traditional Church function. From the point of religious experience, many people experienced much more intensive moments when preparing and celebrating church service with their children at home or in the outdoors than when attending regular church services that they had been accustomed to earlier. The religious authorities condoned the typical Catholic duty of attending the Sunday mass and the experience that it could be done differently will

13 Trans. 'became too saturated, too fast, developed too rapidly.'

not be forgotten. It will lead to even greater individualisation in experiencing faith, linked to greater responsibility and freedom in its formation. Members of the middle class, frustrated by the inability of the Church elites to react to changing society - amplified in post-communist Central Europe by ostentatiously siding with the political forces supporting identity politics nationalism – will more than ever before pressure the Church elites to take the current challenges seriously. Their minimal request will be to accept the pastoral model and open communication style of Pope Francis (Zulehner 2019).

Hopes and Disappointments in the Covid-19 Era

Tomáš Prouza

We witnessed something with the coronavirus pandemic that hardly anyone could have envisaged, especially an incredible refinement of character of people, institutions and countries. Human memory is short and only a few remember the details of the last 2009/2010 economic crisis. Czechs grew accustomed to a one-directional path – unemployment almost disappeared, salaries and employee benefits rose every year, and economic growth was slowed down only by labour shortages, not by missing demand. In response to the good times, Czechs gave up on the effectiveness of public administration because everything ‘worked somehow’ and demanding change seemed too challenging and essentially pointless. It was much easier to look for typical Czech detours and people at least had something to complain about while being better off than ever before.

Covid-19 and the State

The Covid-19 pandemic – and the need for a rapid response – clearly reflected the failures of the Czech state. This does not mean that a ready-made solution to the crisis should have been available because no one can fully prepare for such a situation and it will always require some degree of ingenuity. However, despite many warning signs in late January and in February 2020, the Czech ministers claimed that there was no need to panic and that we were ready. The weeks that followed showed that we had not been. No one from the health care and social services sectors began to ring a loud alarm bell that we did not have almost any of the necessary supplies until it was too late. One lesson learnt was that we need to find ways to give people the courage to shout out, ‘The king is naked!’ They should rest assured that if they point to a problem, someone will listen, and a change will follow.

One of the worst recollections from the crisis were the daily press conferences in the second half of March 2020 when the Prime Minister and his ministers yelled every day in a strong voice and with sparkling eyes ‘We forbid!’ It was shocking – and it was also shocking to compare this love of power with the communication of other governments that included a lot of ‘Please,’ ‘We would like to ask you to ...;’ and provided very detailed explanations of their decisions. Czechs received hardly any explanation at all as if the government applied the rule that ‘the less data and the lower the ability to rationally explain a decision, the more decibels the presentation should have.’

This leads to another sad lesson – the Czech government does not trust its people. It is an extreme case with the current government, but the previous governments did not conduct a much better dialogue

with society either. The cause lies in the fact that most Czechs are interested in politics only once in four years during the national elections instead of uniting and making their voices heard every day, whether big or small matters are at stake. I know that being an active citizen is demanding and time-consuming but unless a lot of pressure is applied, nothing changes; whether regarding the readiness for the next epidemic, or the reform of public finances (this should not be the last Czech generation that had a good life) or the education system which should be ‘transported’ from the nineteenth to the twenty-first century.

Covid-19 and the People

When else to begin the actual education reform than now, when so many parents experienced the antiquated Czech education system at first hand while homeschooling their children from March to June? One of the horrendous findings is that the quality of instruction vastly depends on the specific teacher and that only very little has changed about teaching and assessment since 40 years ago. We also witnessed how important digitalisation is and how easily the younger generations handled the new conditions. For the future of our children, this means that they should not just go back to memorising futile information but should focus more on their ability to cooperate and solve problems, and develop their communication and language skills. We also need to pay attention to those families that lack the necessary technology for distance learning and invest public finances wisely. Buying a laptop for every fifth grader would cost CZK 500 million but it would be more advantageous for Czechia over the long-term run than train discounts worth billions of crowns.¹⁴

The crisis thus provided many tips on how to better manage the state but also what people can do themselves. Most Czechs did an excellent job during the first weeks of the lockdown. They made DIY face-masks for themselves, the personnel in retirement homes and for shop assistants. Large food retailers significantly increased their donations to food banks and Vietnamese grocery stores distributed free coffee to emergency workers. Thousands of similar small hero stories could be observed but we also saw corporate heroes when various digitalisation projects were approved not in the usual spam of several years but a few weeks, completely changing business models to adapt to the new environment.

Here are some of the top lessons that Czechs have learnt from the Covid-19 crisis:

- As individuals and as companies, they can achieve a great deal and the crisis revealed the best in many of them. Czechs usually like to criticise and belittle themselves so these hundreds of good changes are excellent news.

¹⁴ The Czech government introduced discounted train tickets for students and pensioners in 2018. The Ministry of Transportation calculated the annual cost at CZK 5.6 billion (iRozhlas 2019). Ed. note.

- The state has no idea how to solve problems systematically, the debilitated state administration does not have the capacity to at least analyse what other countries are doing and the political leadership makes decisions that will score well with their electorate instead of basing their steps on considerations for the long-term benefit of the country.
- The state must learn to engage in much more open communication, publish data and explain the individual decisions. Only then people will trust the state's choices.
- People should strongly demand two major reforms. First, Czechia needs a reform of the education system so that children learn things that are important for our contemporary life and not things that make it easier to assess them in their school reports. Schools need new technologies and teachers who know how to use them. Second, Czechia needs a dignified care system for the oldest generations. The virus spreading in retirement homes demonstrated the conditions in which they sometimes live. It is high time to create a system which would ensure dignity in older age.
- Czechia should prepare for worse times to come. It will bring higher costs, especially for the middle class, whether it will entail higher taxes or privatisation of some services.
- Czech society would benefit from some of the optimism, energy and willingness to cooperate witnessed during the lockdown. So let's hope it will not evaporate.

On the Eve of the New Global (Dis)Order

Michael Romancov

The year 2020 is the first since 1989, which has the potential to globally become a genuine turning point. The fall of the Berlin Wall on 9 November 1989 was utterly astonishing. When Mikhail Gorbachev came to power as the General Secretary of the Communist Party of the Soviet Union in 1985, things began changing in the Soviet Union and the Eastern bloc, but no one thought that such a rapid development would follow; all the communist regimes in the so-called Soviet bloc collapsed by the end of 1989 and the Soviet Union disintegrated in 1991.

In December 2019, information about a new type of coronavirus, that appeared in the Chinese city of Wu-chan, started to grow in intensity. Between January and June 2020, the world witnessed something that had never happened before. Without a war, the most common catalyst of change in the past, an unprecedented suspension of the economy and human activity took place. It interrupted the supply chains built up for thirty years as well as the flow of millions of people used to almost unlimited travelling around the world for business, education or holidays. Economic globalisation froze for (at least) six months and in early July 2020, we face the possibility of its ‘unfreezing.’ Openness turned into closeness. We do not know what is awaiting us, but it is highly legitimate to expect that the coronavirus epidemic has not been globally overcome. We do not know when (and if ever) we will have a cure and how individual states will handle the economic and social costs that the fight against the epidemic incurred. We can rest assured, however, that the costs will be astronomical and for this very reasons it is very much to be expected that the system of international relations, especially economic, will undergo major revisions.

We obviously cannot say how big they will be and whom they will affect the most. It will most likely become evident in areas and activities that had been most intensively connected with the current way the world operated. We can infer, based on past experiences, that regardless of the magnitude of the damages, the recovery will be easiest for those who have allies willing to help them, who can quickly adapt to changed conditions and who can solve new challenges by applying initiative, experience and the intellect of their population.

Something that big could hardly take place in China. The Chinese Communist party holds the monopoly on power and the comrades granted its leader Xi Jinping (selected in 2012) an unlimited mandate to govern several years ago. It is absolutely out of the question that it could happen in Russia, where Vladimir Putin has been in power since 2000 and the Russian deputies have recently given him the chance to stay in the Kremlin until 2036 (see e.g. Latuchina 2020).

We do not know the consequences of the (in the Russian case ongoing) epidemic, but both China and Russia are such robust global protagonists that there is no reason to think that they would lose a major share of their power. India and Brazil, two countries that together with Russia and China formed the BRIC group at the turn of this century (leaving aside South Africa which joined them later),¹⁵ could not validate the hopes placed in their economic and power growth and have been particularly hit by the Covid-19. Their power potential will probably not increase.

What is left is the West. The highest potential to face the crisis rests with the USA. They have the biggest global economy and are the strongest protagonist with a large and innovative population, they have the scientific and technological potential like no other. Their greatest problem is President Donald Trump and the unprecedented division within American society, where his leadership style both draws criticism and support (for more information, see West 2020). The EU is far more fragile but if it can maintain the will to cooperate (the German presidency in the second half of 2020 will definitely contribute to it), its chances are good. The same applies to Australia, Canada and Japan. Having good chances does not mean that things will inherently turn out well. The USA, China and possibly also Russia will try to maximise their power and it would be naïve to expect anything less than doing so at others' expense. China has made the greatest progress in the last 30 years but also suffered the worst losses. This has so far involved mostly its reputation, which explains why Beijing has invested so much energy and financial resources into 'face-mask diplomacy.' We will see what happens once we learn the true scale of the damages done to the Chinese economy, which will affect its position in the world as well as domestic stability.

Chinese problems open opportunities for the West. The developments in the last five years (finally) showed the West that there will no 'end of history' as described by Francis Fukuyama (1989) and no clash of civilisations as described by Samuel Huntington (1993) in a response to Fukuyama. It seems likely that we are witnessing a comeback of 'the good old order' based on a power rivalry and we should not hesitate to use any advantage available to us. If we want a world governed by (international) law, we have to ensure it is enforced and this will not happen without using force. If we want to effectively face environmental problems, we have to make the rest of the world act responsibly and this will not happen without using force. If we want to live in a world, where people respect law, traditions and the needs of others, they have to honour and respect us and this will not happen without using force. It is questionable, however, whether we are willing to use force and it does not need to be military force; we can deny them access to our markets, freeze loans or reject entry visas for leaders of countries that violate globally accepted human rights' standards. It is hard to tell now but it could help us realise what has been obvious for many years - our competitors are not shy to use force. If we see this, we should act.

¹⁵ Jim O'Neill used the acronym BRIC (Brazil, Russia, India, China) for the first time in 2001 and this group of countries has received a great deal of attention since. See also Goldman Sachs 2003.

The Impact of the Covid-19 Crisis on the Middle Class in Bulgaria

Rumiana Stoilova

After the financial crisis of 2008-2009, inequalities in Bulgaria increased and the middle class shrank¹⁶ (Stoilova and Staneva 2017). Bulgaria had excellent results in terms of economic and financial indicators, maintaining good financial discipline and avoiding any significant budget deficit. The stringent budget restrictions, adopted as an anti-crisis measure, have reduced to a minimum, however, the government's capacity to compensate for negative labour market effects and support vulnerable groups (Stoilova and Krasteva 2020). The share of older people in the middle class was 47% in 2014. This is much less than the share of population of working age, which is 60%. The lessons drawn from the efforts to overcome the previous global financial crisis suggest that special attention should be paid to the effectiveness of measures applied by the national government, as well as the measures agreed upon by EU leaders, in support of the middle class.

Country Level Specifics

The Covid-19 crisis has particularly affected the sub-group of freelance professions, the self-employed, and small and medium-size enterprises. Direct or indirect losses have been experienced by 79% of the companies in Bulgaria, especially micro and small enterprises, as shown by an Alpha Research (2020) survey of representatives of business enterprises. Companies working in the sectors of tourism, restaurant industry, and small enterprises in the sphere of services and culture, have a level of catastrophic expectations twice higher than the average for the country.

Analyzers point out that developments in the high-tech sector are significantly different. While in the ICT sector the number of the new unemployed is 750, in administrative and professional activities (a considerable part of which are call centres and outsourcing of services) the number is over 2,000. These differences largely reflect the degree of flexibility of workplaces and the ability of enterprises to quickly reorganize and shift to distance work: while for ICT companies this has proven relatively easy, in the outsourcing sector the transition has been more difficult (Nikolov 2020).

Government Support for Small and Medium Enterprises

The question as to whether government support for small and medium enterprises is timely and

¹⁶ The Gini coefficient of the equalised disposable income in Bulgaria was 35.9 in 2008. After 2015, the coefficient started to increase, reaching 40.8 in 2019 (Eurostat 2020).

effective becomes particularly acute where public resources are concerned. In his latest book, Francis Fukuyama (2018) discusses the growth of inequalities on a global scale, referring to the growth of inequalities in separate societies, and the emergence of oligarchic structures. The latter represent a threat to the access of small and medium business enterprises to the measures and programs envisaged for overcoming the Covid-19 pandemic crisis.

The measure known as 60:40 was the first to be implemented in Bulgaria.¹⁷ Production companies with a large number of employees and companies with smaller direct expenditures in their activity have expressed the highest approval for this measure. It has been assessed as being insufficient, however, by two groups of economic enterprises: those that have discontinued their activity and have no fresh resources to supplement the remaining 40%, and those which provide uneven, seasonal employment and insure their workers on lower salaries, such as companies in the spheres of tourism and agriculture (Alpha Research 2020). Some disturbing individual cases have been highlighted by the media, such as a football club, a casino and a large-scale hotel owner, connected with a former high-ranking politician: all of these were found to be on the list of recipients of state support under this procedure. Under conditions of economic crisis, society is particularly sensitive to such cases. A procedure, which started relatively late, in the middle of May, is aimed at small and medium enterprises and the self-employed. By the beginning of June, 881 and in the middle of August another 831 proposals were approved out of the submitted 26,311 (European Union Regional Development Fund 2020). The numbers are limited compared to the required state support. The obstacle lies in the limited administrative capacity to implement the policy measure.

A closer analysis will indicate to what extent state support is really beneficial to small and medium enterprises and to what degree the risk of funding oligarchic structures has been avoided. At the present moment (July 2020), the conclusion is that the government support is not enough and not timely. This observation needs improvement, in light of the fact that the middle class is the backbone of a sustainable and just society. In addition to this, support for the middle class could be seen as an effective strategy for reducing inequality in society.

¹⁷ Government pays 60% of the social security income of the employees and the same share of social security contributions; the employer pays the remaining 40% of the income and of the social security contribution.

Economic and Social Effects of the Coronavirus Crisis: Disproportionality, Polarisation, Uncertainty

Zdeněk Tůma

By definition, every economic crisis causes a decline in income whether measured by a fall in the gross domestic product (GDP) or decreased income of companies and households. The impact on the individual income categories is unequal and disproportionate. Households that have difficulties with making ends meet (up to one third of all households) are heavily hit. Their share had been decreasing in the pre-crisis period but will most likely rise again and the recovery will be very gradual.

We can find many examples of the disproportionality both between individual income groups and social classes. A substantial long-term difference will be visible in education. Our observations are very fresh, but it seems apparent that the lower classes' access to education significantly decreased during the crisis (Federičová and Korbel 2020). Many studies clearly indicate that school closure and reduced access to education will be reflected in the future productivity of the affected population. The impact will be even worse for children whose access to education was even more complicated due to the lower quality of online education provided by their schools, the insufficient parental support at home or the absence of Internet or a computer. München (2020) estimated that the long-term costs caused by the three months disruption of education and the subsequent lower productivity of the affected students amounted to CZK 500 billion.¹⁸

We will be able to assess the impact of the crisis after some time passes. All forecasts are limited by great uncertainty. Most scenarios presume, however, that the economy will quickly restart after the dramatic slowdown in the second quarter of 2020. Household income will be heavily affected in the short- as well as the long-run. We cannot ignore the long-term effects of the significant budgetary expansion that will substantially increase the Czech public debt paid for by the future household and company income. The increasing indebtedness limits the state's abilities to solve long-term problems of the Czech economy and society such as the underinvestment in education and health care, the unreformed pension system, and the ineffective and insufficiently digitalised state administration. We have to ask how the public debt can be consolidated in such a context.

Looking at the development of Czech public debt in the last years, we might rejoice at first sight as we managed to significantly decrease the debt accumulated during the financial crisis ten years

¹⁸ An estimate based on a standard human capital model. For more, see München 2020.

ago and return to the level of about 30 % GDP, which is very positive by international comparison. The positive economic growth partially contributed to this development and helped reduce the debt/GDP ratio while overcoming the somewhat lax fiscal policy. Less pleasing was the fact that between 2000-2018, Czechia was on the top among OECD countries in increasing the tax burden. Tax revenue related to their GDP only increased faster in Greece and Portugal, countries facing much deeper problems with their economic efficiency and indebtedness. The Czech political representation faces a decision at present whether it wants to move up on the ladder of countries with high tax burden or if it wants to implement austerity measures that would not restrict necessary investment in the above-mentioned areas. Increasing taxation in a more or less visible way is politically easier, but it means that the middle class will carry a significant share of the increased tax burden.

Major regional differences in economic productivity represent another problem that Czech society struggled with already before the coronavirus crisis. Yet the Czech society faces a significant dilemma. On the one hand, urbanisation and migration of population to large cities are desirable to increase productivity growth (Aspen Annual Conference 2017), while on the other hand, increasing differences across regions bear possible negative effects on social cohesion. To illustrate, the economic productivity of the Karlovy Vary region as compared to the capital city of Prague decreased from around 50% to less than a quarter in the last 25 years (Český statistický úřad 2020). The crisis could further deepen these differences because just like with poorer households, poorer and less productive regions will also have a harder time recovering from the crisis. Structural policy does not address this problem yet.

The aforementioned also has an important political aspect. We have witnessed an increasing polarization in society in the last ten years manifested (among other things) in the elections. If we cannot find a way to resolve the increasing economic differences on the level of both the regions and individual households, political polarisation will continue rising and will create a growing space for populist or even extremist political parties.

The Middle Class Will Bear Most of the Economic Cost of Covid-19

Eva Zamrazilová

The prospects of the Czech middle class have not been very bright for quite some time and the coronavirus crisis will further worsen them. The state's mandatory spending has substantially increased in the last years – pensions rose above the automatic adjustment level, the number of state employees increased and salaries in the public sector rose faster than labour productivity and faster than in the private sector. The weight of the swelling public spending coupled by one of the highest labour taxations among the OECD (2018) countries rests on the shoulders of the middle class. The effective labour taxation of low-income workers is very low or even negative due to child tax credit.¹⁹ The wealthiest class relatively easily manoeuvres the old-fashioned tax system entangled with bureaucracy and optimises its taxes and levies. In addition, with fast growing real estate prices and rising life expectancy, which for many members of the middle class in productive age means that they have to take care of their own children and their sick parents, it is not surprising that part of the population leans towards populist or anti-systemic political forces. They seek support, which they believe is missing elsewhere.

The asymmetry that the middle class faces is even higher when we consider the long-term perspectives on the pension system. While today the pensioner to worker ratio is 1:3, it will decline to 1:2 in the future. The pressure on the pension system will grow, increasing the future governments' motivation to compensate for the deficits with higher tax revenues. Given the size of the Czech middle class and that Czechia is one of the most egalitarian European countries (Indexmundi 2019), it seems obvious that the tax changes will harm the middle class or public finances will not improve much.

This does not stop at a higher tax burden. When the populous 1970s and 1980s generations retire, there will not be enough people in productive age left to preserve the so-called replacement ratio between the average wage and average pension. By then, the former members of the middle class will have to at least partially concede to their fall into the lower segments of society because the state will not be able to maintain their living standard at the level guaranteed to their predecessors. Some will be able to rely on their own savings, but many will not have enough due to high taxation during their productive years or will be financially exhausted by too many years of mortgage payments on an overpriced property.

¹⁹ In 2019, child tax credit amounted to CZK 15,204 for the first, CZK 19,404 for the second, and CZK 24,204 for the third and the following dependent child (under certain conditions). For more information, see PWC 2020. Ed. note.

Many indicators of the current economic crisis have already surpassed the 2009 decline which further worsens the prospects of the middle class. The 2020 budget deficit has increased from CZK 40 billion to 500 billion and it might not be the final amount. Further budget deficits, amounting to hundreds of billions in the upcoming years, can be expected. During the state of legislative emergency, the government loosened the budgetary responsibility rules for the next seven years. In two years, the nominal indebtedness accumulated over decades will jump by up to half. Such a pace is not sustainable, which is obvious at first sight. The government will have to consolidate public finances sooner or later. It is not hard to guess at whose expense.

It is short-sighted to make the middle class shoulder more burden than it can carry. It can backfire when its members, who can usually take care of themselves and do not ask anything from the state social support, will move to the lower classes. Many of the most persistent, creative, courageous, and adventurous people, who would be set up for the greatest losses, could start looking for opportunities abroad. Czechia could lose not only a qualified workforce but also the chance to move away from an economy dependent on export and industry to a position where the economy stands on activity with higher value added. The economic, political and social consequences of such changes would be immeasurable.

The programmes adopted to support the economy hit by the coronavirus crisis should, thus, take into account the burdens the middle class has been exposed to. There should be a maximum effort to accommodate the needs of its members from among employees, self-employed and owners of small and medium size businesses. The medium and long-term perspectives seem to indicate that it is inevitable to transfer the tax burden from labour onto the large multinational corporations and wealth. In the 1990s, Czechia lacked capital and it made sense that the middle class should carry a greater tax load so that capital could be accumulated. We have passed that stage. When changing the tax mix, it has to be done gradually and not in great leaps. It is also important to watch, evaluate and reflect on the business conditions abroad to avoid thoughtless interventions that would push the foreign owners to mass relocate their companies elsewhere, where the conditions would be considerably more advantageous than in Czechia.

The Impact of the Covid-19 Measures on Small Businesses

Alena Zemplerová

The governmental interventions such as closing shops and restaurants, restricting the movement of people, closing borders, limiting the production output of large factories and discontinuing school education were first aimed at preventing the spread and slowing down the course of the epidemic and later at mitigating the impact of these measures on the income of businesses, employees, and households by providing ‘fiscal packages.’ These packages included wage compensations for businesses that had to close or restrict their activities, waiver of social insurance payments for businesses, postponement of tax payments, extended care-giver’s assistance, interest-free business loans, guarantees for loans from commercial banks, Antivirus and Covid 25 programmes,²⁰ etc. It seems at the moment that Czechia has handled the crisis well, the measures are being loosened, life is returning to normal but it is uncertain what the long-term and more hidden consequences of the fiscal measures will be and whether or how the public support for small businesses (and the middle class at large) should continue.

Despite the state support, the crisis will leave most companies with a high debt and many small businesses will leave the market. The economy will undergo a painful restructuralisation, employees will have to move from one sector to another, many small businesses will perish or will be absorbed by more stable and stronger companies. The demise of small businesses will destroy the sources of innovation and the creation of job opportunities. The government’s stabilisation measures, adopted to help small businesses and employment, have kept unemployment and bankruptcies on a sustainable level, but we can expect that both will dramatically increase in the future.

Small and medium size enterprises (SME) are the backbone of the economy. Their higher adaptability, when compared with the bureaucratic big businesses, allows them to quickly react to changes and create new jobs – their support has a multiplication effect. This is one of the reasons why the blanket support for SMEs should continue after the fiscal packages end, or better said, they should not be discriminated against as a result of the massive state support of big businesses. ‘Blanket’ is a very important word in the previous sentence. Given the number of SMEs, it is inconceivable that the state could effectively choose which companies or sectors should receive aid and which ones should not while avoiding corruption and other ills. The inevitable consequence is the growing public sector

²⁰ Antivirus and Covid 25 are two examples of measures adopted by the government. For more information, see Government of the Czech Republic 2020. Ed. note.

balance and public debt. Economic growth requires that future fiscal policy does not increase taxation, which would significantly demotivate business activity. The elimination of SMEs and the private sector due to public procurement, which is usually won by large businesses close to the government, is also risky.

The long-term effects will depend on the situation in the country, but due to the openness of the Czech economy also on the economic measures of other national governments and the EU. The European governments handed out billions of euros to save SMEs and employment, which was clearly the right thing to do as it did not burden the public finances much and kept unemployment at acceptable levels. The corporate sector and big players are raising their voices now. It will be far more costly for public finances and will have a much stronger impact on the economy. France has announced EUR 8 billion support for its car industry and the dominant airline in Germany has been negotiating aid of about EUR 9 billion (Economist 2020). This type of state support would normally be banned in the single market because it disturbs competition, but the large companies are using the benevolence of their governments to form European corporations. These will not operate based on plain effectiveness but will benefit from state subsidies paid for by the taxpayers and successful SMEs.

The danger of granting state subsidies to large businesses in the single market rests in the unevenness and disunity of the subsidy policies among individual countries which violates the rules of fair competition. The differences among EU member states in the distribution of public finances concern the volume and the form of the subsidies granted – whether refundable or not. In addition, the winners are selected by administrative and state committees that clearly are not (and cannot be) as efficient as the market. On top of that, almost all big businesses in Czechia have foreign owners and the subsidy therefore often means ‘foreign aid.’

The economic and political power of big businesses makes them almost always more successful in lobbying the state for subsidies. They make use of the arguments of competitiveness on the world markets, investment into research and development, or protection of the environment. They have enough resources to pay lobbyists and marketing and will probably succeed. The impact on competition will not be visible right away. It will be manifested in the deformed signals for the economy, in the use of monopoly powers, in compromising the mechanisms of competition and in demotivating businesspeople. The collusion of big businesses and the state and the emergence of state interventionism will depend on whose lobbying will bring a higher subsidy. Some fear that the relationship between the state and the large corporations will grow stronger. The government will want to rule the economy and keep intervening under the pretext of ‘restarting the economy.’ It will lead to growing ties between the big businesses, lenders and the state. It will increase the risk that the governing institutions will be held captive by the governed (Stigler 1971).

The state measures reacting to Covid-19 forced many companies to speed up their digitalisation

processes while new momentous opportunities have emerged for new businesses or for their expansion. The businesses are considering strategies to speed up the expansion of automatization from production to administration. Robotics might help optimise production, lower the costs and increase speed. The pandemic represents both a risk and an opportunity for the business sector. Companies are increasingly aware of this and analyse risks and based on the results consider investment into new technologies. The pandemic created new business opportunities, with increased demand for educated and flexible professionals that understand the digitalised world. The suspended demand for goods and services could help create a new wave of consumer demand, new job opportunities, therefore, households could pay their debts. The crisis and post-crisis situation are for many sectors and businesses an opportunity to expand. They need loans for this and banks should be willing to provide investment loans and the state should help with lowering the risks by offering guarantees for loans provided from the universal system.

One positive aspect will be a faster transition to home office arrangements, which can strengthen the middle class and encourage employees to enter the business sector. Estimates show that one half to two thirds of the labour force can work from home using telecommunications, which would lower the office and commuting costs with positive side effects related to traffic jams and the environment. Let us hope that the economic threat for SMEs and thus the middle class will only be temporary and that the SMEs will use their capabilities to react to the changes in a timely and flexible manner.

The New Normal

Michal Žantovský

The coronavirus pandemic is not a transient crisis but a fundamental change in paradigm. It will affect the global economy and our lifestyles for many years to come and will simultaneously pave the way to new workstyles and communication, perceptions of the world and our role in it. While globalisation shrank the world and intensified the exchanges between its individual parts, the pandemic re-inflated it. Crossing borders, distances and cultural barriers is not just a matter of time and cost anymore, it turned once again into a security issue and to some extent also an existential problem. The irresistible need to travel to different parts of the world and to discover new vistas waned together with local people's willingness to welcome and host strangers. Business transaction costs increased due to the necessary health and sanitary measures but were also affected by the perceived need of many countries and regions to at least partially meet people's needs using their own resources in case such or another crisis would happen again someday. This de-globalisation of sorts is only visible in the physical world, the world of travellers, motorways, airports and ports.

Mutual communication intensified in the virtual world of social media, audio and video chats and conference software to an extent that it might surpass the need to compensate for the activities not performed in the 'real world.' Our knowledge about the latest increase in the number of infected people in Brazil²¹ or protests in Buffalo²² is practically identical with our knowledge about the latest number of infected people in the region of Ostrava²³ and the tribute to Milada Horáková in Prague.²⁴ The last months and weeks saw online conferences and seminars with experts, politicians, and business partners from all around the world. Even more striking was the number of online original concerts, exhibitions and theatre performances compensating for the impact of the lockdown on concert halls, galleries and theatres. All these options existed already one year ago but were used as an unwanted supplement to 'real' life. When following the virtual alternatives, people occasionally feel uncomfortable with the failing aspects of these communication modes such as the fact that they lack the sense of smell, taste, touch or non-verbal emotions, these being, however, still in the early stages of development. The transmission of the digital channels versus the first days of the Internet is like comparing 1990s ISDN modems to 1920s crystal radio receivers. The development will certainly continue.

21 Brazil had one of the highest Covid-19 cases in the world in June 2020. Ed. note

22 In May and June 2020, protests against racism and police brutality were held in Buffalo. Ed.note

23 After the number of Covid-19 cases decreased in May 2020, a new epicentre appeared in the coal mines in the region of Ostrava. Ed. Note.

24 Milada Horáková, a lawyer, politician and Nazi resister, was hung on 27 June 1950 following a staged Stalinist trial. The anniversary of her death became a Remembrance Day for people killed by the Czech Communist regime. Ed. Note.

They can also have a secondary, not necessarily negative, impact on the political, religious and cultural clashes that have shaken the world in the last ten years. Samuel Huntington (1993) claimed in the 'Clash of Civilizations' that the cause of the conflict between different civilizational and cultural areas does not need to be their fundamental or irreconcilable differences but the confrontation that inevitably takes place when they meet. It does not pose the same level of risk if the civilisations meet on their conference software screens. One could argue that if such communication lasts for a period of time, it could lead to a better understanding and appreciation of different traditions, values, and cultures and could help prevent misunderstandings and conflict when physical contact is renewed.

We find similar potentially positive effects for the economy, environment and education. The coronavirus crisis clearly demonstrated that we have dazzlingly simpler, cheaper and at any rate efficient ways to seek advice and make decisions, to present new products, find new strategies, and to appreciate and learn from the limitless and inexhaustible pool of information and knowledge that virtual reality offers and facilitates. Executives of large multinational companies, pharmaceutical corporations, national political representations, and international institutions might find it difficult to bear the loss of travel expenses, per diem allowances, receptions and dinners in exotic environments, but their clients will be justified in expecting lower prices. The aviation and car industries are already in a crisis that will not pass quickly, but it has actually been a respite for the environment that will not thrive on clearly irrational flying from one place to another or the replacement of all combustion engine cars with their electric counterparts, which will fill up the cities, jam the roads and damage the environment and our peace of mind almost as much as their condemned predecessors.

Education during the coronavirus crisis brought down the walls of the teaching institutions, whether primary schools or universities, but it also brought down our ideas about the purpose of education and whom it serves. Virtually all of us had to go back to school (although a virtual one) to adapt to the new situation. Education is all about the ability to adapt to new situations and solve new problems. It also has an undeniable socialising role, which children often managed to handle from their homes and online long before the coronavirus crisis. In exchange, many people enjoyed the increasingly rare joy of their children's company, energy and intelligence during the lockdown. The need to stay at home was one of the most distinct effects of the coronavirus crisis and involved a cognisance of both the bright and the dark sides. If it does not harm either others or our own well-being in any substantial way, then spending a little more time at home is not the worst thing that could happen.

In their entirety, the changes are not abnormal and temporary, they are the 'new normal.' They should primarily benefit the middle class whose digital literacy is high and is best accustomed to changes and generally less tied to a physical workplace. So far, so good. The bad news is that Czechia remains mostly an 'assembly plant' and its backward higher education institutions and large differences among primary and secondary schools and their teachers are not conducive to producing real growth

of the middle class. According to pre-Covid 19 predictions expected that while the number of people belonging to the middle class will stagnate in Europe and the USA in the next decade, 88% of the next one billion members of the middle class will come from Asia (Kharas 2017). Two thirds of the global middle class will live in Asia by 2030. We face the risk that the middle class benefiting from the current developments will live somewhere else.

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