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***A Different Kind of Europe – in Speaking, Thinking and Acting
An Essay in the Run-Up to the European Elections 2014***

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Abstract

Words are able to trigger positive or negative feelings, depending on which event they are related to or which other words they sound similar to. The word *saving* sounds good, but means *destruction* and *reduction* in today's economic situation – the destruction of quality at work, job reduction, as well as reduction of the general public's capital and the welfare. Additionally, we normally define *economic success* as a change in the gross domestic product or the gross national product. However, this definition is not self-evident at all. We can give new meanings to words and change the world by doing so (just as the re-definition of *the unemployed* has improved the unemployment figures). This also means: We can define our social goals always on our own, too. This is what this essay is about. It deals with the following goals:

- We as a country want to be a good partner.
- We want to enjoy a long and healthy life.
- We want good school education.
- We want to live a safe life of freedom, without poverty, now and later.
- We want to achieve balanced current accounts in our country.

These aims are in line with the EU treaties and national constitutions. The currently dominating neoliberal model, however, stands in contrast to the treaties and constitutions. It has led to high social imbalance, high unemployment rates and a deep financial and existential crisis. Analyses have shown that Sweden, Denmark, the Republic of Ireland and the Netherlands have often been better in reaching those alternative goals than other EU states; sometimes non-EU countries have done much better. As a consequence, we need a healthy and well-shaped state instead of an undernourished one. By *state* I mean the administration that looks for the benefits for all members of a country. Academic observations have brought the following results:

- **The healthier, the more balanced and the stronger the state is, the more efficient people are.**
- **The smaller the income differences are, the higher the general prosperity.**

In order to achieve this, the relevant academic data as well as expressions like *healthy/balanced/strong state* must be used and repeated in a lot of situations.

Introductory Observations

What kind of Europe do we want to live in? Which aims are worth reaching for? With regard to the European elections in May 2014, this essay aims to show that the fact that certain words are presented in mass media makes it hard for us to think about others way to organize Europe. The essay tries to encourage people to imagine different forms of Europe and to compare them with the goals of the political candidates. This essay does not recommend a particular party. This essay is not written by a German for the Europeans; I am writing as a European. This essay does not accuse politicians and journalists of deliberate manipulation of people. Perhaps some politicians and journalists are just captured in their way of thinking through the constant repetition of words and expressions they have been facing over the last years. Perhaps they are under enormous pressure because they have to reach as much power or as many sales as possible. Many views are nourished simply because they are permanently repeated in mass media, where regional, national and even EU politicians are often cited, too. From time to time this repetition includes the creation of positive and negative overtones of a word.

Let's take, for example, the word *inflation*. The word came up during the 20th century and must be seen in the context of the Great Depression of the early 1930s, when rapid money growth lowered the value of the money. Today, experts call this phenomenon *hyperinflation*, whereas the term *inflation* is used in a more general way. However, in everyday language, *inflation* still has negative connotations. In German, *Schulden* 'debts' sounds negative because it is related to negative expressions from the moral and legal sector: *Schuld* 'guilt' and *schuldig* 'guilty'. This connection also exists in Dutch, Danish and Swedish, but not in other European languages.

Words can trigger negative feelings when they are related to a negative historical event or other negative words. From an objective point of view, there is no reason to see debts and inflation as negative.

The main players in economics are companies (including the banks and the media companies), private households and the state. In the end, the state comprises all members of a country, but here I mean the administration of the benefits for all members of a country. Each of the three main players is interested in different welfare aspects. Companies give salaries so that private households buy their goods; companies and private households pay taxes to the state so that it can guarantee at least the most important conditions for living together successfully. The most important conditions are safety, justice, road system, sewage works and social security. In real life, it is hard to imagine that a single person or a single company can report an ideal balance of income and expenses each month or even each day. Whenever one member of the economic cycle puts money aside for a bigger investment in the future (e.g. a private person for his/her own house, a company for a factory building or a state institution for a school), then another member lacks that money as income now. Alternatively, the person who is planning to invest the money can get money for sometime from another player; in other words: the person planning to invest has to run up a debt. But this means that another member of the economic cycle saved up some money before and consequently, again, another one had a loss in income. It would be a vicious circle if the banks did not print additional money or offer credit money, aiming at progress in the world of goods. Of course, a growing demand for money and goods can lead to a certain price increase. This contributes to what we call *inflation*, the lowering of the value of money. Finally, all incomings and outgoings of money come to zero with regard to the whole economic community. Thus, inflation and debts are necessary and even desirable for progress. **Debts and saving are two sides of the same coin; progressing**

demand and inflation are two sides of the same coin. You can only see both in either a positive or a negative way. If you wanted to judge both in a negative way, you would have to suggest a completely different economic model.

As often in life, it is the amount of something that is decisive. Studies have shown that an inflation rate up to 5 percent is acceptable. It is difficult to say which government debt ratio is acceptable. In the course of the monetary union, the EU agreed that the national debt should not exceed 60 percent of the gross domestic product (GDP) of a state. However, this figure is not based on any real-life observations. It can be safely stated that the crisis in the euro zone does not go back to national debts. The particularly hard-hit states of Spain and Ireland had reduced their national debts to 40 and 25 percent of the GDP between 2000 and 2007¹. Even in 2008 Ireland's national debt was still acceptable, and the Spain's national debt was still okay in 2010. In other words: these two countries showed a model behavior with regard to the EU agreement, whereas Germany has not been able to fulfil this criterion since 2003.

Conversely, it is not logical from an objective perspective why so many see saving as a good way especially in times of economic crises. History shows that **saving measures (austerity measures) turn a weakening economy into a fatally ill economy** which can ruin other economies, too: Examples are the US and German austerity programmes after the stock market crash in 1929 and the Latin American ones in the 1990s. Latin American countries only revived after they rejected the restrictions on public investment, which had been imposed by the International Monetary Fund (IMF)—the same restrictions the IMF expects from EU countries today.²

Besides, it is not understandable why some people want still fewer rules for the various social sectors and especially for the financial sector. Without any need, a successful model was replaced in Britain in the late 1970s and in Germany and other European countries since the 1980s: a European economic and social order, which had led to prosperity for everybody in Western Europe and which allowed to master the two oil crises in the 1970s. Europe has paid a bitter price for the abolition of rules and social security. **The policy that we call *neoliberalism* or *market-radicalism* has caused a strong increase of unemployment and has put people in Northern America into a deep financial and existential crisis.** The neoliberal theory preaches a “lean state”, or “slim state” (this image is very common in European regions, apart from Scandinavia and some parts of western Europe). However, it has led to an unhealthy, underweight state. **We need a healthier, better nourished state again.** For this purpose, we also need something called *taxes*. Perhaps this concept is more appreciated if you call the **funding of the state's welfare tasks *welfare charges*³ or *welfare tributes*.**

This essay will deal with our economic activity from perspectives which are normally absent from mass media. We ourselves can decide on the Europe that want to live in. This is what we sometimes forget as a result of the reports given in mass media which say that the world simply works the way it does right now. However, laws on living together are mostly not laws of nature. The way humans behave is not only determined by nature, but mainly by culture. And there are always new findings on which human characteristics are really shaped by nature. It has been shown several times that rational acting is not nature-given⁴. Human beings are rather led by emotions. Emotions are often caused by certain words. Thus, we can influence our thinking and acting with the help of words. **We can at least initiate new ways of thinking with the help of new words. And these new ways of thinking can lead to new ways of acting. We can easily change the world with our words by simply giving them a new meaning. The number of unemployed had been reduced easily by re-defining the term for ‘unemployed’ in several European statistics.**

“Prosperity”, “Growth”, “Economic Success”

Politicians often aim at economic growth, because this suggests economic competence. As a layperson one might think that *growth* means ‘producing more and more items of the same thing’. However, this is not the only meaning of the economic term *growth*. It can also mean ‘producing the same number of things with less effort’. Moreover, it can mean ‘producing new, progressive things’. Many companies, however, hope that they do not have to invest too much money in progress, they hope to make as much profit as possible with their existing products, of course.

Growth in an economic sense thus includes three aspects:

- **more and more copies of the same product with the same effort**
- **same number of copies of a product with less effort**
- **a completely new product serving the same purpose**

In economics, growth means changing the gross domestic product. The gross domestic product is the value of all goods and services which were produced in a state within one year and serve the end consumer. There is also the gross national product; this is the value of all goods and services, which are produced with the help of means and effort of the residents of a country within a certain period of time.

Gross domestic product (GDP) and *gross national product / gross national income (GNP)* are the most frequently used words for indicating economic success in the newspapers I have analyzed. However, neither the gross domestic product nor the gross national product say if one single member of the population got the whole income earned by all the population and the rest got nothing or if each member gets the same income, no matter how much the individual has worked. Neither the gross domestic product nor the gross national product takes into consideration if people and environment are doing fine or bad.

We should not forget: There is no natural meaning of *prosperity*, *economic growth* and *economic success*. Humans give meanings to words. It should also be kept in mind that the inventor of the gross national product, the American Simon Kuznets, did not develop the GNP as a means to measure wealth, but in order to check if the US economy was financially strong enough to take part in World War One. He even underlined that as a general indicator the GNP is not a good indicator from an economic point of view⁵. Today there are other indexes:

- The Human Development Index takes into consideration the gross national income per capita, people’s life expectancy at the time of their birth and the average and expected school years.
- The Happy Planet Index takes into consideration life expectancy, life satisfaction and the land and sea that people need to keep up their standard of living under today’s production conditions.
- The Index of Sustainable Economic Welfare together with the Genuine Progress Indicator take different factors into consideration, such as the degree of sustainability of our behaviour.
- The Gini Index represents the unequal distribution of income.

Of course, these alternative indexes have been criticized, too. However, it is more important to pay attention to the overall tendencies shown by these indexes than focusing on the figures in detail. **In**

comparison to the gross domestic product and the gross national product, however, these alternative indexes are less established, which can be seen from their presence in mass media. As an example, I checked several online-versions of widespread everyday media from different parts of Europe: bild.de (*BILD*), krone.at (*Kronen Zeitung*), lefigaro.fr (*Le Figaro*), dailymail.co.uk (*Daily Mail*), dn.se (*Dagens Nyheter*), fakt.pl (*Fakt*), aktualne.cz (*Aktuálně*), nol.hu (*Népszabadság*), corriere.it (*Corriere della sera*), elpais.com (*El País*). In how many of all the cases where an economic index is mentioned is it an alternative index? Alternative indexes make up nearly 10% in *Fakt* and *KronenZeitung* and about 6% in *DailyMail*, but less than 2% in the other newspapers and even less than 1% in *BILD*, *Figaro*, and *Corriere*. **Moreover, the small role of alternative indexes is shown by the fact that several countries do not have an expression in their own language, but use the English expression, whose meaning is unclear to many readers.**

Which Aims Do We Europeans Have?

Which aims are we reaching for – not only as individuals or as inhabitants of our home town or our region or our country or our Europe? After all, Europe should be a community. This is what the treaties say. We should be like brothers and sisters. At least, we should live together as partners, not as people fighting each other, and fighting each other economically is definitely included here. Unfortunately, little progress has been made in terms of solidarity in some parts of Europe, despite the Nobel Peace Prize. Some people who live in EU states that have been less affected by the economic crisis think they are allowed to patronize, ridicule or discriminate against others that have been weakened by the crisis. They do not reflect on their own share of responsibility. Especially the Germans, whose unification was only realized thanks to European solidarity, should be aware of the fact that their dominant behaviour might trigger memories of their dark history, as already shown in some European media.⁶ Some politicians take decisions which only serve those who caused the crisis, but not those who are affected by the crisis. Speaking of aid plans or rescue packages – as it was done with Greece – seems cynical in this context. Even within some countries a lack of solidarity can be identified. For example, Germany introduced the *Solidaritätszuschlag* ‘solidarity surcharge’ in 1991 in order to finance the unification. Soon, this term was shortened to *Soli* and thus solidarity was put into the background. **Even small changes in a word such as the disappearance of *Solidarität* in *Soli* can have great consequences.** For many people, the *Soli* has become a burden. Some critics from former West Germany forget that citizens of former East Germany must pay it, too, and that it is used for many different measures. Moreover, Germany has another kind of solidarity agreement: the taxation revenues of the single federal states are compared and then the financially weaker states are supported by the stronger ones now. What kind of signal is sent out if the state of Bavaria takes legal action against this agreement, although from 1950 to 2012 Bavaria had to give money only in 25 years, but received money in 38 years⁷? Similar revenue sharing is done on the local level and criticized by some richer municipalities, too. Some even fear that economically stronger parts of a village do not want to support the weaker ones. In some parts of Europe, solidarity is in danger on many levels. Here the collective spirit could grow, which means that people rather think as *We*. When we talk about *We* in the following text, we refer to: *We people in the EU*.

Aim: We Want to Be Good Partners.

The stability and growth pact for the euro zone includes two basic rules for the European countries⁸. Whether they were a good idea or not is not the question here. It is only about obeying these rules:

- “Public debt must not exceed 60% of GDP.”
This was not respected by some states right from the beginning, namely: Belgium, Italy, Greece, Austria, Sweden, Spain, Germany and the Netherlands. However, some of these countries, especially Sweden, Spain and the Netherlands, did a good job with regard to this agreement. Germany could reduce its public debt first, but exceeded the limit since 2002 and has since then constantly increased its debt.
- “The deficit must not exceed 3% of GDP.”
Some states disrespected this limit several times: first Greece, then Portugal, Germany, Italy and France.

As already mentioned, I do not discuss here whether these agreements were a good idea or not. However, if they are considered inappropriate, they would have had to be changed together.

Additionally, it is said in article 282 of the Treaty of the Functioning of the European Union that⁹: “(1) The European Central Bank, together with the national central banks, shall constitute the European System of Central Banks (ESCB). The European Central Bank, together with the national central banks of the Member States whose currency is the euro, which constitute the Eurosystem, shall conduct the monetary policy of the Union. (2) The ESCB shall be governed by the decision-making bodies of the European Central Bank. The primary objective of the ESCB shall be to maintain price stability.” Maintaining price stability in a European system means that all members of the system must stick to inflation rates very close to each other. The Governing Council of the ECB, which includes all national banks, defines this rate as “close to, but below 2 percent”, which means 1.7 to 1.9 percent. This also means that all national banks must make an effort. However, the only countries which had roughly kept this aim at the outbreak of the crisis of the euro zone were France and Austria.¹⁰ Germany and Finland were below, all other countries above the fixed rate. **If you agree on a goal, it does not matter if you miss the target on the left or on the right.**

As the national banks are independent of politicians, you cannot blame the latter in this case; at best indirectly in those countries where the government suggests some of the people that are responsible for the national bank.

Aim: We want not only a high GDP, but also high life expectancy and good school education.

For this aim, we must look at countries with a high Human Development Index. This index takes into consideration the GDP per capita, people’s life expectancy at the time of their birth and the average and expected school years. Luckily, all EU states show a “very high degree of human development”, Bulgaria and Romania at least a “high degree of human development”. The first rank, however, goes to a non-EU country in 2012: Norway¹¹. Australia is second and the USA third. The first five EU-countries are on ranks 4.5, 7 (2x) and 15: the Netherlands, Germany, Sweden, Ireland and Denmark. Having a long life, however, does not necessarily mean having a long and healthy life. This leads us to our next aim.

Aim: We want a long and healthy life.

Looking at this aim separately, Germany does badly in comparison to all its direct neighbours. An

average girl born in Europe in 2011 can expect 62,2 healthy years according to the Eurostat database; an average boy 61.7. Looking at national figures, an average German girl can only expect 58.7 years and a boy 57.9 years. EU children born in 2011 had especially good prospects in Sweden and Malta (over 70 healthy years) and in Norway, Ireland, Great Britain, Spain and Greece (over 65 healthy years).

Aim: We want a safe life.

Let's have a look at the Failed State Index¹², which includes 12 aspects. "Progressive Deterioration of Public Services" is one of them and also refers to the guarantee of public services. EU states reached an average of 2.8 in 2010. Up to 2.5 a country is seen as stable and fit for the future. This is true for the following EU countries (in descending order): Finland, Sweden, Denmark, Austria, the Netherlands, France, Germany, Belgium, Luxembourg, Britain, Spain and Ireland. If you consider all of the 12 aspects, the following EU members are part of the countries considered stable and fit for the future in 2010 (in descending order): Finland, Sweden, Ireland, Denmark, Austria, Luxembourg, the Netherlands. On the whole, Norway is doing best.

Safety also means living without violence. In 2012, the EU was awarded the Nobel Peace Prize "for over six decades contributed to the advancement of peace and reconciliation, democracy and human rights in Europe"¹³. This should encourage the EU to develop two more things:

- peace outside Europe with the armaments industry being completely changed into a defence industry without weapons being sent to non-European countries
- abolition of all forms of weapons of mass destruction in Europe, also of the "financial weapons of mass destruction" as Warren Buffet called them¹⁴, thus of any business betting, for example, on the future value of a good or of paper money

Living safely also includes the fact that everybody is provided with basic supplies such as energy, waste disposal, health-care, regional traffic, postal service and telecommunication. This is why **the provision of basic supplies must be in the hands of an institution that is responsible for the general public – this can only be the state, since companies (including banks and media companies) must be profit-orientated in our economic model.** Consequently, companies are unsuited for tasks linked to public welfare in our model. An international comparative study conducted by the Forschungs- und Beratungsstelle Arbeit (FORBA) in Vienna has shown¹⁵: Privatization leads to higher prices and lower quality and thus to uncertain access to goods that everyone needs. In contrast, the policy during the European post-war period enabled the recovery of ill companies and the governmental organization of economic key areas for the benefit of the general public. It was just ignored that the same should have been done in new key areas of energy supply and communication. This would have contributed to keeping life safe and self-determined, without having to worry about sufficient basic supplies.¹⁶

Aim: We want a self-determined life, a life in freedom.

Words including *free* sound good. This is true for many European languages. *Freedom, free market, free trade* could be mentioned as further examples. However, too much freedom of one person can threaten another person's freedom. **This is why several people can only be free as long as there**

are certain rules for every single person. This holds especially true for a *free play of forces*, as any sort of playing needs rules. The free market, too, has had rules, since the basic idea of a market in an economic sense is to guarantee equality of opportunity. **If certain fields are exclusively dominated by some highly specialized companies which the public cannot understand or influence, we cannot speak of any market here.** For example, the financial market hardly knows any rules and produces enormous losses which must be compensated with the help of the state. Perhaps one should rather call it *financial mafia*.

Living a life of freedom means living a life without restrictions due to a lack of basic supplies or to poverty.

Aim: We do not want to live in poverty, neither now nor later.

If we do not want to suffer from poverty, the question comes up what poverty means. Until a few years ago, those people in the EU had been considered as poor who earned less than 50 percent of the arithmetic mean of the net income. Nowadays people who earn less than 60 percent of the middle net income are seen as poor. As to figures you have to be particularly careful with the definition of words like *poverty*. Moreover, it must be clear **if several figures are all based on the same definition of a reference word like *poverty*.** An example can illustrate that problem: Let us assume that there is a person who get 100 EUR per working hour, and there are four people who get 1 EUR each. According to the older definition, the poverty line would be at 50% of the arithmetic mean:

100	
1	
1	
1	
1	
1	
104	

→ mean = 104 : 5 = 20.8 50% of the mean = 10.4 → there are 4 poor

According to the more recent definition, the poverty line would be at 60% of the middle value, also called the *median*.

100	
1	
1	→ median
1	
1	

60% of the median = 0.6 → there are 0 poor

This means that only by using the recent definition, poverty would have been abolished within this group.

How many percent of the people living in Europe are – even after receiving social security benefits – at risk of poverty according to this definition? In 2005, it was 16.4 percent in the EU according to Eurostat, 16.9 percent in 2011. There was a particularly low risk for Swedes in 2005 (9.5%) and for Czechs in 2011 (9.8%). Within the euro zone, the Dutch had the lowest risk in 2005 and in 2011 (10.7% and 11.0%); beyond, it was the Norwegians (11.4% and 10.5%). Apart from some

exceptions, which cannot be analyzed in this essay, the situation is better in northern and western Europe, including Germany and Austria, than in southern and eastern (Central) Europe.

Poverty can also be measured with the help of the percentage of people suffering from “material deprivation” according to eurostat¹⁷. This may sound complicated. However, it is enough to point out that the situation is again better in Northern and Western Europe including Germany and Austria than in other regions.

Finally, we can also refer to the Human Poverty Index¹⁸, which has been calculated by the UN since 1997. As to the industrial countries, it takes into consideration the probability of dying before the age of 60, the percentage of illiterate adults, the percentage of people whose income is below 50% of the median and the percentage of long-term unemployed people (12 months and longer). According to the last report (2007/08), the European countries with the lowest level of poverty (less than 10 out of 100 points) were Sweden, Norway, the Netherlands, Finland and Denmark. Italy has 29.8 points. The other western European countries have 10 to 20 points. For the developing countries there is the Multidimensional Poverty Index¹⁹. Here, the successor states of the USSR, eastern Central Europe and the Balkans as well as the United Arab Emirates are doing particularly well.

With the emergence of the market radicalism in western Europe, soup kitchens and the distribution of food have been re-introduced for people in need: since 1984 in France (the *Restos du Coeur* ‘restaurants of the heart’), since 1986 in Belgium, since 1993 in Germany (the *Tafeln*), later also in Spain, Austria, the Netherlands, Hungaria and Poland. We must be grateful to those institutions for their work. However, it seems somehow cynical if politicians having governmental responsibilities welcome those institutions and express their thanks with a smile. They should rather be ashamed that such institutions are needed in rich Europe at all and that politics is no longer able to set an end to such poverty.

In recent years, some European countries regarded the demographic change as a danger to poverty in old age. In the English language we find the phrase *greying of Europe*. As a way out, private provision and a longer working life have been suggested and partly already introduced. On closer inspection, however, these conclusions turn out to be illogical:

- As already mentioned in the introduction, **saving for the future is not possible from an economic point of view**. Thus, **the currently earned assets must always be used for the care of all currently living inhabitants**. And then it is hard to understand why a sufficient basic care should need the financial industry as an unreliable middleman instead of being provided by the state from the start.
- When talking about all currently living inhabitants, we do not only refer to the population no more active, but also to the population not yet active: our children. However, their number has decreased. Moreover, the overall economic productivity usually grows, too. Consequently, the pretended importance of the demographic change for the social security system is relativized.
- Longer working life only makes sense if enough gainful full-time employment is offered. However, political policies have contributed to the fact that there are more and more part-time jobs in Europe (except for Denmark, Ireland, Latvia, Lithuania, the Czech Republic, Bulgaria and Rumania). And there is also a growing number of employments that are limited in time (except for Denmark, Finland, Norway, Ireland, Malta and the Czech Republic)²⁰. Raising the retirement age seems to be nothing but an “artful” way of cutting pensions.

Aim: We want to live a sustainable life which exploits the earth only to an extent which allows it to renew on its own, so that we and our children can live a natural life later on.

Let us have a look at the Happy Planet Index here. It includes life expectancy, life-satisfaction and the land and sea area that people need to permanently keep up their standard of living under today's production conditions. The latter is also known as ecological footprint. According to this calculation, some Latin American states and Vietnam are doing very well. **Many European states are in the middle group when we analyze life expectancy, life satisfaction and environmental protection**; Albania is doing best. Some European states are even doing badly: Denmark, Slovakia, Bulgaria and Macedonia.

Furthermore, there is the Index of Sustainable Economic Welfare (ISEW). The gross national product/gross national income measures the economic production of a nation. When this value increases, we might think that our prosperity has increased, too. However, within the gross national product/gross national income many things are entered as positive which are rather seen as negative by many citizens. For example, if our behaviour has caused damage to the environment or people which must be removed, the gross national product classified this as positive. In the ISEW, however, unwanted costs resulting from our social or ecologic behaviour are seen as negative. Additionally, there are other aspects which diverge from the gross national product. For example, the ISEW takes into account household work, the sustainability of our behaviour and the distribution of work and income. Up to now, large comparative calculations of this type are still missing. A study²¹ compared the ISEW-indexes from 1950 to 1990 for the US, Britain, the Netherlands, Germany, Austria and Sweden. The results for the Netherlands are clearly the best (with an ISEW index even above the gross national product). Currently, a Genuine Progress Indicator based on the ISEW is being discussed and the EU has started the Beyond GNP Initiative.

Aim: We want balanced current accounts.

For some reason, many people think that it is good if a country's exports exceed its imports. German has even created its own word here: *Exportweltmeister* 'export world champion'. A word that does hardly or not at all exist in any other European language that I checked—even in languages of countries which prefer exports over imports just the way Germany does. How can the title *export world champion* be seen as advantageous for a country anyway if this title has been achieved through underdeveloped wages and through financial claims against countries which can possibly never fulfil these claims. ***Exportweltmeister is a good example for disguising something negative with the help of a word that sounds good.***

So let us have a look at countries that were in equilibrium over a certain period of time. We will focus on the 6-year period of the EU-27, which means 2007 to 2013. If we look at trading with non-EU countries and check who meets the balanced sum of 0 best, then Germany is not Number 1, but next to last. Only the Netherlands do more poorly. Lithuania, Latvia and Malta do best. Of course, one can object that the countries' different numbers of inhabitants should be taken into account, too. As they vary constantly, a calculation per capita would not be useful. A stable calculation would be possible per million. Thus, the question would be: to what extent does a group of up to a million

people manage to be in equilibrium after 6 years in the single countries? Here Germany occupies position 20. The Netherlands are last again. The top positions go to France, Lithuania and Hungary. We can also use a very mild way of looking at the situation and check how often the countries took the roles of importer and exporter. Again, Germany is part of the worst group over the 6-year period; it only took the role of the exporter. Slovenia does best; it was importer in three years and exporter in three years. France is exporter in 4 years and importer in 2 years. Lithuania, Poland, Romania, Latvia, the Czech Republic, Italy, Portugal, Estonia, Slovakia and Cyprus show a 5:1 ratio in the one or the other direction. All of the other countries are in an extreme imbalance over the 6-year period. As partners, however, either balanced giving and taking must take place or the members must see themselves as a real economic community with a common financial system and accounting.²²

Similar analyses can be carried out for the balances of trading within the EU, as “skewed” balances of trade have contributed to Europe’s imbalance. If we take absolute figures, Germany is again next to last and the Netherlands last; Lithuania and Estonia perform best. If we take the trade balance per million people, Germany is 14th, the Netherlands are last. Italy and Lithuania perform best.²³

Aim: We want justice.

Justice is a vague expression, too, depending on the context. **It would be just if wages developed in a way parallel to productivity. According to a study conducted by the International Labour Organization (ILO), analyzing the years between 1990 and 2006, this was only true for Ireland, Luxembourg, Sweden, Spain and the Czech Republic** as well as for Mexico²⁴. Higher wage increase in comparison with the productivity increase was found in Greece, Britain, Norway and Portugal as well as in China and South Africa. Lower wage increase in comparison with the productivity increase was found in Belgium, Denmark, France and the Netherlands in the EU. Wage restraint was even higher in Italy and Hungary. Even more massive wage squeezing was done in Germany, Finland, Austria, Poland and Slovakia. From an international perspective, wage squeezing was especially massive in Brazil and Russia.

According to the ILO study, **there was a rise in inequality of the distribution of income in many European countries between 1990 and 2006.**²⁵ The index used here was suggested by the Italian mathematician Gini. The Gini Index is always a figure between 0 (absolute equality) and 1 (absolute inequality = everything for one). The Gini-Index stayed roughly the same only in Denmark, Germany and France within Europe. It decreased considerably in Switzerland and Slovenia (now the same level as Sweden). In all other European countries income inequality increased. Outside Europe Gyana and Yemen performed very well in reducing the unequal distribution of income. The inequality of the distribution of assets is even greater. The Gini-Index for assets is more than twice as high for example in Germany and France as wells as in Canada.

However, the meaning of *justice* can even go further, referring to the fact that a society is free of corruption. The Corruption Perceptions Index²⁶ indicates to what extent politicians and civil servants are perceived as corrupt. In 2013, the Scandinavian countries, Switzerland, the Netherlands, New Zealand, Australia, Canada and Singapore were among the Top-10 states.

Just because no corruption is perceived, this does not mean that everything is done in a fact-related way. Maybe people do not pay for their career; but this does not mean that performance is all that counts. For many careers the social network is decisive. This does not have to be negative per se.

Negative overtones only come up when performance is pretended to be the decisive aspect. In the Global Corruption Barometer²⁷, which indicates the degree of corruption perceived by experts in different fields (1 not corrupt at all – 5 very corrupt), all EU countries that were examined had an average of 3.0 to 3.8 (the Netherlands, Austria, Poland and Sweden were not examined). **Looking at these results, describing Europe as an achievement-orientated or performance-related society seems to be just an empty phrase. It seems to be just an empty phrase as long as people in work are dismissed although they totally fulfil their duty or as long as two people's income differs by more than the factor 100 or the performance of an investment banker is more appreciated than that of a general practitioner or the performance of a German carer more than that of a Romanian carer.** The average degree of corruption in the field of the media is only below 3.0 in the Czech Republic and in Estonia. In Greece it is 4.4. In the other European countries it is between 3.0 and 3.9. From an international perspective, it is particularly low in Burundi (1.2).

Results

- Some indexes suggest **that the EU should be modest**. Some Latin American states did very well in overcoming national crises and in respecting ecological issues. Norway has a leading role in many fields.
- Some indexes suggest **that countries successful in classical terms should behave modestly**. They are not necessarily successful in achieving modern, alternative aims. **Sweden, the Netherlands, Ireland and Denmark** often proved successful in achieving alternative aims.
- The EU treaties²⁸ say that (see Article 2 of the version currently in force): “The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.” According to the EU-contract (see article 2 of the version currently in force), the EU “[...] shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance. It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. It shall promote economic, social and territorial cohesion, and solidarity among Member States.” These aims as well as the aims of the national constitutions of the EU suggest that the type of neoliberalism which has been dominant for three decades has to be abolished. **Neoliberalism is contrary to the contract and to the constitutions.**
- It has been shown: **Words influence our unconscious thinking**. They cause positive or negative thoughts, depending on which event they are connected with, on which other words they sound similar to and on how metaphorical they are. Their technical meaning can differ from their everyday meaning. The meaning of words can generally be changed, which is especially relevant for comparisons with regard to time.

Paths

Human beings are obviously not really able to keep an overview of economic matters. Moreover, they are obviously not able to keep an overview of the moral consequences of their actions. A private household wants to satisfy its basic and luxury needs and may want to respect moral aspects when buying a product. But to the private person the production of a good is neither visible nor always documented. And it is clear that not each private person can check the moral aspects of each good. Even with most solid investigation, torments for humans, animals and the environment do not always become apparent. Simply hoping for a general ethical awareness is unrealistic, especially in the non-public sector or in a field where other values are propagated and lived. Employers are human beings, too; many with high, others with less ethical awareness – especially in the non-public sector. The central task of an employer according to our current model is to maximize profit. In addition to more progressive ethics and a more progressive societal model, we need a general public set of rules, of which the obeying is controlled. Only a committee of politicians is able to create the general conditions needed. And this committee must be public, because politicians are also only human, many with a high, others with less ethical awareness – especially in the non-public sector, a rather low one.

I want to stress again that those suggestions are not a general hate campaign against the presumed winners of the current system. Of course, those who have committed a crime according to the established law must be punished. I can understand those who tried to profit as much as possible in accordance with our established law. But what the individual is allowed to do can go against the public interest. There may even be contradictory political conditions. Politicians may, for example, act in a way that profits go to individuals and losses must be compensated by all. However, such measures are against the EU treaties.

As a German I would like to say this: If Germans become aware of the consequences of their economic doing for other peoples – as mentioned above –, the first suggestion that follows is to choose a way of speaking that does not express any arrogance. **It would do other Europeans and us Germans good if we said “sorry” for certain things.**

Moreover, we should get to know those countries that did well in reaching the alternative aims mentioned. Of course, there are already many different suggested solutions for reaching the alternative aims introduced above. They often refer to the ideas of the British economist John Maynard Keynes. **Keynes’ principles were successfully implemented in the US after the crisis in the 1930s and in Western Europe after World War Two. They helped to overcome two oil crises and have been given up without any necessity from the 1970s onwards.** A comprehensive suggestion for extending Keynes’ model is the eco-social market economy²⁹ as presented in the *Europäisches Haus Pappenheim* by Franz-Josef Radermacher, who provided the academic basis. **The eco-social market economy includes the idea of considering the environment a tradable product which is related to costs. Moreover, it says that energy consumption is to be taxed.** It is thus intended to lead to a more general social rethinking which is reflected in many small changes. For example, some restaurants and canteens in various Belgian and German cities have introduced a meat-free (or even animal-free) *Veggie Day*. If we chose a Friday for that day, economic, ecological, medical and ethical reasons can even be combined with cultural ones – as traditionally Fridays are meat-free in Christian denominations. Some media called supporters of a meat-free day “fun killers”. However, one wonders what *fun* means to such authors – after all, other living beings must be killed and environment destroyed.

Among others, the Global Marshall Plan Initiative³⁰ advocates eco-social market economy. Moreover, it is for

- a sufficient funding for achieving the **UN Millennium Goals**³¹ concerning the fight against poverty, epidemics and infant mortality, concerning general basic education, healthcare for mothers, gender equality and the construction of a global partnership for development
- a **fair taxation of financial transactions and environmental exploitation**
- a **global regulatory framework** for economic actions

Others, too, have spoken for the re-establishment and the further development of the model which made Western Europe great after World War Two. Its key pillars were the welfare state, personal liability, the mixture of state-run and entrepreneurial economic branches and prevention of economic power through the approval of small and medium-sized companies. Further important elements are freedom to relax and to cultivate social bonds as well as being free from stress and anxiety.

There are also suggestions for a radical reshaping of the economy like the Economy for the Common Good³². As you can guess from the name, economic actions would aim at contributing to public welfare. The most important aspect would be reducing the consumption of nature, thus the ecological footprint. Profit would no longer be the goal, but only the path to achieve the goals. The economically decisive index would be the welfare-product. The business index would no longer be the financial balance but the welfare balance. The better the welfare balance, the more legal advantages there would be for the company. For the international economic exchange there would be a monetary cooperation with a global unit of account. For more details of the model and how they can be put into practice discussions through democratic processes are planned. Ultimately, this model would need a new type of human being. However, some ideas could also be embedded in the further development of a social market economy.

Heiner Flassbeck³³ shares the idea of taking ecological aspects into account when talking about economic growth. In the *Europäisches Haus Pappenheim*, he made some suggestions on directly managing the crisis in Europe which allow equalising the economic power within Europe:

- In states that did not respect the inflation agreement by way of wage dumping, **wages should be raised drastically so that internal demand and imports are stimulated in order to compensate differences in the current account balance.** We do not need flexible/instable, but stable job markets. The formula for wage increase which should be re-introduced is: productivity increase + inflation target.
- In states that are currently seen as problematic, investment programmes for improving social life should be introduced. Mainly local households and companies should profit from these.
- **If private households and companies increase savings, the state must increase expenses, keeping in mind the economic overall account:** it has to stimulate the private consumption demand and the corporate investment through contracts or tax policy.
- Financial policy must not only see moderate inflation and thus the stability of price levels as a goal, but also **full employment**. Moreover, it must introduce rules which make sure that **financial products are only allowed, if they are of use for the society and if their risks are easily controllable.**

Other sources include some of these aspects, plus the following strategies³⁴:

- **nationalize big financial groups** and oblige them to stick to a business model of general benefit
- **re-nationalize those sectors of primary care that have been left to profit-orientated private companies** (such as energy supply, waste disposal, health-care, regional traffic and railway, postal service and telecommunication)
- **introduce regulations which allow fair competition** in order to replace existing regulatories which have increased the redistribution from the poor to the rich.
- charge multimillionaires a one-time fee on their fortune.
- introduce a EU-wide **tax policy which equips the state with enough money for the tasks fixed in the constitutions and the EU treaties**
- free the EU from long-standing debts
- enable states to get money directly from the European Central Bank instead of having to get it from an unregulated global financial market
- distribute income less extremely so that the state does less frequently have to take credits as a reaction to a lack of demand
- introduce minimum wages in all of Europe

Many economists are against such measures, because they fear a weakening of the job market. This essay, however, is not about fearing, but about proving. And proof is what lacks. Current studies have rather **proved, for example, that minimum wages do basically not influence the situation on the job market**³⁵.

With the help of these regulations, we could **replace the current model of a welfare-killer with the model of a welfare-creator**. We need a healthy, well-shaped welfare-state. The above-mentioned study by the International Labour Organization shows³⁶: **the more well-developed the welfare state, the higher people's work capacity and level of performance**.

Indeed, a balanced distribution of income seems to be an important engine for a better society. Why? Because dozens of comparisons by Richard Wilkinson and Kate Pickett³⁷ suggest that there is a statistically significant connection between income inequality and many social problems—sometimes stronger, sometimes weaker. This does not suggest that all people get exactly the same wages, but there must be slighter differences. If we take the already mentioned Gini-Index and compare the performance of single states with regard to the different indexes³⁸, it is evident that an index of 0.400 before taxation and social security contributions, and between 0.200 and 0.250 after taxation and social security contributions would be efficient. Wilkinson and Pickett's results represent the ratio of the upper 20 percent to the lower 20 percent as indicated in the Human Development Report of the United Nations from 2006. Among the European countries, they focus deliberately on the countries that are considered rich. I would like to summarize their results in a positive way without calling for a completely uniform distribution.

- The more moderate the income disparities, the higher the social welfare (also with regard to health).
- The more moderate the income disparities, the higher life expectancy.
- The more moderate the income disparities, the lower infant mortality.
- The more moderate the income disparities, the higher children's welfare.
- The more moderate the income disparities, the lower the number of teenage pregnancies.
- The more moderate the income disparities, the higher women's social status.
- The more moderate the income disparities, the better the results in the PISA studies.

- The more moderate the income disparities, the lower the number the mental illnesses.
- The more moderate the income disparities, the lower the number overweight teenagers.
- The more moderate the income disparities, the lower the number obese adults.
- The more moderate the income disparities, the more trust in each other.
- The more moderate the income disparities, the lower the number of murders.
- The more moderate the income disparities, the less experience of conflict during childhood.
- The more moderate the income disparities, the less the number of prisoners.
- The more moderate the income disparities, the more free time.
- The more moderate the income disparities, the higher the recycling rate.

In sum: **The more moderate the income disparities, the higher the overall welfare.** Wilkinson und Pickett draw the following conclusion: “Greater inequality actually increases the need for big government – for more police, more prisons, more health, and social service of every kind. Most of these services are expensive and only very partially effective, but we shall need them for ever if we continue to have high levels of inequality that create the problems they are designed to deal with.”

This is why I want to underline again that these suggestions shall not be seen as a hate campaign against the ones at the peak of society. The measures suggested here do not make the rich poor; neither do they lower their quality of living. On the contrary, the rich people’s quality of living is increased by a harmonious **union of healthy states** – states, where you do not have to worry about your own or your family’s safety and do not miss good infrastructure or pleasant environment.

Outlook: How to Communicate with EU Parliament Candidates?

There are politicians who claim that contractual and constitutional tasks should rather be undertaken by the free market than by politicians. Who should vote for such politicians who deny themselves the competences needed for fulfilling their tasks? However, an honest, real conversation with such candidates can be worth it – a dialog in which the reasons for this claim can be discussed honestly.

Moreover, I recommend an overview of economy and economic history; for example, the comic book *Economix*³⁹, as well as the first article of the EU treaties. The aims described in the EU treaties can then be compared with present problems and the candidates for the EU parliament can be asked for their judgement and solutions – current members of parliament can also be asked why their paths have not yet been put into practice. Pay attention to the fact that **suggested paths are always connected with aims**. The mass media often ignore this. Ask for evidence that justifies a suggested path for a certain aim.

It will be especially helpful not to use words and expressions typical of neoliberal language in a conversation with a candidate, but to **use alternative expressions** like the ones suggested above. They would contribute to getting a fresh point of view. The members of the EU parliament candidates represent the public, the state – and **we do not only need a better nourished state thanks to welfare dues, but also healthy state representatives – finally, they represent all of us.**

Europäisches Haus Pappenheim, 15 March 2014

Joachim Grzega

(translated from German and adapted by Sandra Schwehofer and Joachim Grzega)

Anmerkungen

- 1 If no other sources are given, all EU data are taken from the EU statistical database *Eurostat*: <http://ec.europa.eu/eurostat> (01-01-14).
- 2 Cf. J. Stiglitz, *Globalization and Its Discontents*, New York 2002.
- 3 The German term *Gemeinwohlabgabe* was suggested by my father, Günter Grzega—quoted, e.g., in M. Bunjes, “Nehmt unser Geld”, *Publik-Forum* 11/2013, 17.
- 4 Cf. e.g. D. Ariely, *Predictably Irrational*, New York 2008; D. Kahnemann, *Thinking, Fast and Slow*, New York 2011; G. Gigerenzer, *Risk Savvy*, New York 2014.
- 5 Vgl. S. Kuznets, “National income, 1929–1932”, 73rd US Congress, 2d session, Senate document no. 124, 1934.
- 6 Cf. H. Schmidt, “Pflicht zur Solidarität”, *Die Zeit* 27-12-12 (also in H. Schmidt, *Mein Europa*, Hamburg 2013, 304ff.).
- 7 http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Oeffentliche_Finanzen/Foederale_Finanzbeziehungen/Laenderfinanzausgleich/laenderfinanzausgleich.html?view=renderPrint (01-01-14).
- 8 Resolution of the European Council on the Stability and Growth Pact (Amsterdam, 17 June 1997) [Official Journal C 236 vom 02-08-97]: http://europa.eu/legislation_summaries/economic_and_monetary_affairs/stability_and_growth_pact/l25021_de.htm (03-01-14).
- 9 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2012:326:0047:0200:EN:PDF> (01-01-14).
- 10 My own calculations, based on Eurostat data (DE 1.6 – FI 1.7 – FR 1.9 – AT 1.9 – BE 2.1 – IT 2.3 – NL 2.4 – PT 2.9 – IE 3.1 – HE 3.2 – ES 3.2).
- 11 <http://hdr.undp.org/en/content/human-development-report-2013> (01-01-14).
- 12 http://www.foreignpolicy.com/articles/2009/06/22/the_2009_failed_states_index (01-01-14).
- 13 http://www.nobelprize.org/nobel_prizes/peace/laureates/index.html (01-01-14).
- 14 W. Buffet, “Chairman’s Letter”, in: Berkshire Hathaway Inc. (ed.), *2012 Annual Report*, Berkshire 2012, p. 15.
- 15 T. Brandt, *Die Privatisierung öffentlicher Dienstleistungen und deren Auswirkungen auf Qualität, Beschäftigung und Produktivität*, Wien 2009.
- 16 Cf. S. Wagenknecht, *Freiheit statt Kapitalismus*, München 2012, 339f.
- 17 Originally *material deprivation*, defined as “3 out of 9 items in the dimension ‘financial stress and durable goods’”.
- 18 http://hdr.undp.org/sites/default/files/reports/268/hdr_20072008_en_complete.pdf (01-01-14), 241ff.
- 19 <https://data.undp.org/dataset/Table-5-Multidimensional-Poverty-Index/7p2z-5b33> (01-01-14).
- 20 International Labour Office, *World of Work Report 2008*, Geneva 2008, 119.
- 21 P. Lawn, “A theoretical foundation to support the Index of Sustainable Economic Welfare (ISEW), Genuine Progress Indicator (GPI), and other related indexes”, *Ecological Economics* 44/1 (2003), 105-118.
- 22 My own calculations, based on Eurostat data for Extra-EU27 trade (distance from the 0 mark in absolute figures: range from LT 1.371 MioEUR to NL 645.125 MioEUR; distance from the 0 mark per mio people: range from FR 327 MioEUR to NL 37.949 MioEUR).
- 23 My own calculations basing on Eurostat data for Intra-EU27 trade (distance from the 0 mark in absolute figures: range from LT 630 MioEUR to NL 151.378 MioEUR; distance from the 0 mark per mio people: range from IT and LT 230 MioEUR to NL 8.905 MioEUR).
- 24 International Labour Office, *World of Work Report 2008*, Geneva 2008, 7.
- 25 International Labour Office, *World of Work Report 2008*, Geneva 2008, 11 & 44.
- 26 <http://www.transparency.org/research/cpi/overview> (01-01-14).
- 27 <http://www.transparency.org/gcb2013> (01-01-14).
- 28 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=2010:083:SOM:EN:PDF> (01-01-14).
- 29 <http://www.foes.de/> (01-01-14); cf. e.g. also F. Radermacher & B. Beyers, *Welt mit Zukunft*, Hamburg 2011.
- 30 <http://www.globalmarshallplan.org/> (01-01-14).
- 31 <http://www.unric.org/html/german/mdg/index.html> (01-01-14).
- 32 <http://www.gemeinwohl-oekonomie.org/de> (01-01-14).
- 33 <http://www.flassbeck-economics.de/> (01-01-14); cf. e.g. also H. Flassbeck, *Zehn Mythen der Krise*, Berlin 2012.
- 34 Cf. e.g. J. Stiglitz, *The Price of Inequality*, New York 2012; L. Zeise, *Euroland wird abgebrannt*, Köln 2012; S. Wagenknecht, *Freiheit statt Kapitalismus*, München 2012; H.-J. Chang, *23 Things They Don't Tell You about Capitalism*, London etc. 2012; M. Goodwin & D. Burr, *Economix*, New York 2013; M. Schulz, *Der gefesselte Riese*, Berlin 2013; BEIGEWUM, *Mythen des Sparens*, Hamburg 2013; http://www.alternative-wirtschaftspolitik.de/veroeffentlichungen_der_arbeitsgruppe/memorandum_2013/index.html (01-01-14).
- 35 Cf. P. Bofinger in Ch. VI of the 2013/2014 report of the Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, 289ff., <http://www.sachverstaendigenrat->

wirtschaft.de/fileadmin/dateiablage/gutachten/jg201314/dokumente/JG13_VI.pdf (01-01-14).

36 International Labour Office, *World of Work Report 2008*, Geneva 2008, 88.

37 R. Wilkinson & K. Pickett, *The Spirit Level*, London etc.2009.

38 <http://stats.oecd.org/index.aspx?queryid=46189> (01-01-14)

39 M. Goodwin & D. Burr, *Economix*, Berlin 2013. Also very clear, but less comprehensive are: S. Wagenknecht, *Freiheit statt Kapitalismus*, München 2012, and H.-J. Chang, *23 Things They Don't Tell You about Capitalism*, London etc. 2012.