

A MORE PROSPEROUS EUROPE: REVISITING THE CONCEPTS OF GROWTH, DEVELOPMENT AND PROSPERITY

Florin Bonciu¹

Abstract

Although discussions on the need to replace the view on economy based on Newtonian physics have been present for several decades, especially after the 1970s, the conditions in the European Union after 2008, as well as the long term global prospects have determined an increasing urgency for designing a new paradigm for a sustainable and humanely fulfilling economy. The interest for a new paradigm is not confined to European Union but the urgency may be higher in its case as a combination of structural and circumstantial factors require a sustainable solution sooner rather than later.

The current official strategy, Europe 2020, has in view a new “growth model and creating the conditions for a smart, sustainable and inclusive growth”. But the five flagship initiatives of the strategy address important but partial dimensions of the socio-economic system. The strategy proposes some remedies but not a new paradigm.

This paper aims to explore and capitalize on a number of new approaches that try to define growth, development and prosperity in a more realistic and operational manner. At the same time the author explores the consequences of rethinking growth and development and advocates a shift from quantitative to qualitative analysis. The conclusion is that reaching the goal of a more prosperous Europe requires some clarifications on what prosperity is and which is the relation of this new meaning of prosperity with the current global conditions that include the new technologies, the existing natural resources, the impact of waste on the environment and the human nature as manifested in the new geopolitical context.

Keyword: development and growth relationship, prosperity, sustainable development, European development paradigm.

JEL Classification: F59, F63, O4, O47, P17

The post 2008 context and the European realities

The year 2008 is nowadays regarded as a milestone in many areas that concern economic and social indicators, political decisions, the international balance of power, but also the conceptual framework of such important concepts as development, growth and prosperity. It is of course a relative milestone in the sense that the continuum of the socio-economic processes have not been distinctively divided into two different phases by this year. Changes and tensions have been accumulating for

¹ fbonciu@gmail.com

decades and the year 2008 has been just the moment when these changes and tensions (manifested initially as a financial and then economic crisis) became too evident to be anymore overlooked.

It is interesting to mention that theoretical and research based works referring to the limits of quantitative approaches to growth or to the need of a new development paradigm had been published and had known some considerable recognition even since the 1970s and 1980s of the last century (Georgescu-Roegen, 1966; Alvin Toffler, 1970; Meadows, D. et al., 1972; Rifkin, J., Howard, T., 1980;).

Anyway, for more than 40 years after early 1970s the general approach regarding economic activities has been based on a quantitative approach and therefore at both government and company levels, as well as at the personal level, the better future meant a bigger Gross Domestic Product, a higher output, a higher sales figure, a higher profit and or dividend, a higher income or salary. The simple and convincing rule of the game has been: more is better. With very few notable exceptions (like pollution or unemployment) where more was not better this approach has been applied (even if not always fully publicly supported) in government programs, company strategies or personal development plans.

The new millennium and particularly the internet and mobile communication technologies offered to an unprecedented number of people the possibility to express their views on a variety of topics and, even more, to aggregate these views in some global trends and global reactions. At the same time, objective phenomena, like the climate change, have generated new and more imminent preoccupations about the future of civilization, while the overpassing of the 7 billion threshold in the number of human beings on Earth in March 2012 (Goodkin, D., 2011) combined with the ageing and declining population in the majority of Western countries have made many decision makers and simple citizens to meditate on the Western development paradigm.

Somehow, in the quantitative approach of the “more is better” paradigm the human dimension was missing and also there was no promise that a new paradigm would emerge by itself in the near or medium term future.

At the same time, after 2008, in the context of the economic crisis that was affecting in quite different degrees the majority of the countries but clearly not all of them, several researches from the fields of economics, statistics, governance began to point to another subject with a lot of implications: inequality. Suddenly people discovered that in 2014 1 % of global population owns almost 50 % of global wealth (Hardoon, D., 2015). At the same time, in late 2014 European Union acknowledged after 7 years that austerity is not an option for getting out of the crisis and that what happens to hundreds of millions of people does matter. And despite the fact that due to geopolitical reasons the price of oil went down by the end of 2014, there has been no revolutionary scientific discovery to suggest a permanent solution to energy and raw materials problem.

European Union has been facing a particularly difficult situation being caught between two rather rigid aspects: on the one hand, it defines itself as a social market economy and at least in the Western part of it the social protection and welfare support have very deep traditions that span for almost the whole post World War II period; at the same time, European Union member states (with the notable exception of Germany and, to a certain extent, of Great Britain) have been the most affected ones of all the developed countries. The difficult situation of the European Union comes from the fact that it has to find a lasting and sustainable solution to the economic crisis, find a way to compete successfully in a globalized world and, by that, maintain, sustain and restart its social component and welfare systems.

These two simultaneous requirements are quite difficult to reconcile and they may determine the need of a more fundamental approach. European Union as well as the vast majority of the countries of the world cannot simply give up the ideas of growth and development and, even more, European Union cannot give up the idea of prosperity for its citizens.

But as very few people if any still believe and expect a return to the situation and functioning mechanisms that existed before 2008, the solution may consist in re-thinking what the concepts of growth, development and prosperity mean. Such a fundamental approach requires courage and vision and definitely cannot be the result of the work of one person, one team, or one country. It should

be a collective work and one can estimate that the path to a solution will not be simple or linear. But, as in many other cases, the very long journey starts with the first step.

European Union and development: from post World War II to the 2014 – 2020 period

In the early days of European integration the initial six members that were all developed countries had in view the recovery after the war, a better competitive position in the post-war world order as well as the rising of the living standards for the citizens of the member states and the elimination of development gaps between regions. As the six founding member states had similar levels of development their challenges as well as their approaches and solutions were rather easy to be treated in a similar manner.

One comment is in our opinion of particular importance at this point: although the idea of cohesion (meaning to a large extent “solidarity”) has been present from the very beginning of the integration process, the scope of it was initially substantially different from the current situation (Manzella, G.P., Mendez, C., 2009). In 1957 the percentage of population and of areas of the member states that were underdeveloped and needed assistance was quite small, it was truly the exception and not the rule.

After the 2004 enlargement (that brought inside the Union a large number of countries with significantly lower than EU average development levels) and particularly after the onset of the 2008 crisis the approach to development of the European Union has changed. Beyond the wording of official documents the present approach to development refers to two main aspects: at least maintaining the existing position of EU in the world economy and by this maintaining the living standards; integrate the new and less developed member states thus allowing them to benefit of better living standards that have been at least part of their motivation to join the Union.

Growth, development, prosperity and Europe 2020 Strategy

At the beginning of the new millennium, the European Union launched an ambitious strategy, the Lisbon Strategy, that aimed to transform the organization by 2010 into the most competitive and dynamic knowledge based economy in the world (Lisbon European Council, 23 and 24 March, 2000) . In 2009 the Lisbon Strategy had been evaluated as a failure (Reinfeldt, F., 2009) and a new strategy has been designed for the period 2010 – 2020. Based on the experience of the Lisbon Strategy and due to the crisis period the new strategy has had an important social dimension. Europe 2020 strategy proposes some remedies and has in view a new “growth model as well as the creation of conditions for a smart, sustainable and inclusive growth” (European Commission, 3 March, 2010).

The challenges that confront the Europe 2020 strategy are serious: to relaunch the economy and to create jobs while facing the impact/competition determined by globalization. The response to these challenges has materialized into five targets to be attained by 2020 (European Commission, 3 March, 2010):

- To raise the employment rate of the population aged 20–64 from the current 69% to at least 75% ;
- To achieve the target of investing 3% of GDP in R&D ;
- To reduce greenhouse gas emissions by at least 20% compared to 1990 levels or by 30% if the conditions are right, increase the share of renewable energy in final energy consumption to 20%, and achieve a 20% increase in energy efficiency;
- To reduce the share of early school leavers to 10% from the current 15% and increase the share of the population aged 30–34 having completed tertiary from 31% to at least 40% ;
- To reduce the number of Europeans living below national poverty lines by 25%, lifting 20 million people out of poverty ;

As results from the above the targets are more or less “reactive”, they are responses to some existing problems and leave most of the decision as well as of the financing sources in the responsibility of the member states. The importance of the social dimension is reflected in the fact that three out of five targets are related to the social dimension.

EU – no longer a “positive sum game” ?

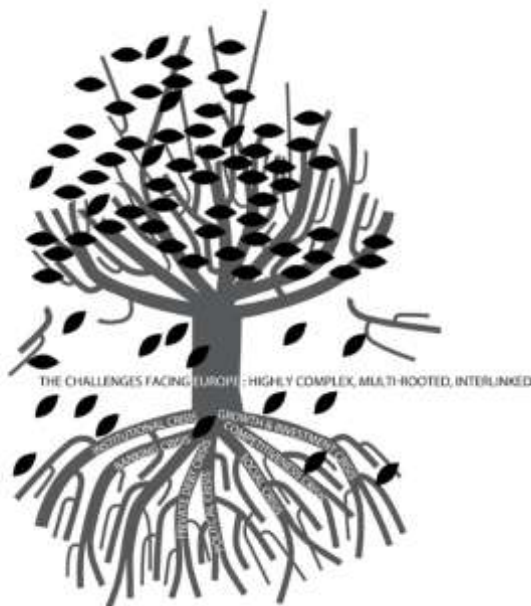
While the Europe 2020 strategy remains to a large extent reactive, without the proposal of a new paradigm and lacking sources of financing, the European Union is facing two main interlinked challenges:

- Weakening of the unity and solidarity among the member states and within the member states as result of different impacts and implications of the crisis;
- A growing perception that European integration is not necessarily beneficial for everyone, particularly in states like Greece, Spain, Portugal, but also Italy and even France;

Seven full years after the onset of the crisis it is difficult to explain to European citizens that a solution is to be found. In fact the positions expressed in the public debate and in the result of the European Parliament elections of 2014 reflect that after the crisis and as result of the crisis citizens want that European Union:

- provide answers to their day to day problems;
- provide added value in the drive for prosperity, peace and democracy;
- protect and safeguard the ‘European way of life’ in a massively changing global environment;

The complexity of the challenges facing European Union has been reflected in the picture below.



Source: New Pact for Europe – Second Report, October 2014, p.8

As results from the picture the challenges facing the European Union are complex (each and everyone of them), are generated by multiple causes and are at the same time inter-linked.

Due to these circumstances a new approach to European Union development and prosperity must be based on several pillars (New pact for Europe, Second Report, 2014, p.2).

One pillar should enable the European citizens and companies to grow, to be competitive and therefore to create jobs. This should be a sustainable, long term function that cannot be achieved without taking into account globalization, technological changes, climate changes, demographical changes.

A second pillar should address social justice and social protection so that the most affected groups (young and old people, minorities, etc.) find the necessary assistance in order to integrate in the European economy and society. Social justice and social protection should not be mistaken for charity, it is not about charity but about an inclusive society and economy.

The third pillar refers to giving the European Union citizens the feeling of real ownership of the European Union and its institutions and not the other way round. A lot has been said about the need for democratic legitimacy of the European institutions but there is a need for a real mechanism that would allow the European citizens to participate in the decision making process and to feel that the mechanism is solving their current problems.

In order to achieve these objectives one proposal that we make in this paper is to change the wording of the European Union motto: "Unity in diversity" into "Diversity in unity". A fact we have to admit is that the European Union is diverse, not only among its member states but also within the member states. Diversity must come to the fore and be taken into account as an advantage.

A new paradigm and the need to revisit some fundamental concepts

In order to have a functional new paradigm for the European Union we have to revisit some fundamental concepts. First of all we have to admit that economy is a non-linear system where human beings are central and not always rational producers/consumers. Economy and society should work for the people and not the other way round.

In order to operationalize this concept a new frame of mind is needed. Fortunately there is already available a new hypothesis that seems promising. According to this hypothesis capitalism or market economy can be regarded as systems based on the creation (of information, knowledge, solutions) and not on allocation of fixed resources.

At the same time even growth can be regarded from a new angle: growth can be also virtual (informational) not necessarily only material. We as persons may be better off and even happier if we have more knowledge (which is infinite) rather than more material possessions. Does this mean that we are no longer "living in a material world" ?

Development is another concept that can be revisited. Development assumes a qualitative dimension and it is here that we can ask: what kind of development are we thinking about? Do we speak about a global betterment or about worlds in collision. "Our" (European) development is against "Their" (rest of the world) development or is there a middle of the road solution ?

And finally the grand concept "Prosperity". In comparison with development (which is rather related to a whole community or society) prosperity is clearly related first of all to the individual. But how we define prosperity in an information based, aging society like the European one ? Do we speak about the prosperity of each and every individual ? Or about the prosperity of a majority ? Presuming we define this prosperity the next questions will be: How to be fair and sustainable ? An interesting approach to these dilemmas is that of „Prosperity without Growth" where the idea of human prosperity is decoupled from the idea of a mandatory growing material possessions (Jackson, T., 2009, p.36).

One way to read the above paragraph is to say that there are more questions than answers. But another way to read it is to say that the questions are the answers, once you formulate them, you know where to look and how to answer. We propose and support the second approach and we are at the same time confident that if more and more Europeans start to discuss about these questions the finding of the answers is just a matter of time.

Conclusions

The difficulties that confront many of the member states of the European Union and European Union as a whole are explained quite often by the consequences of the crisis. But crisis is in essence a change and change is permanent. Maybe a simpler interpretation of the crisis is that we can no longer do the way we did in order to obtain the results that we had.

The direct implication of the above is the need of a new paradigm for growth, development and prosperity. It is interesting to note that both in 2007 when European Union celebrated 50 years since its inception and in 2014 when European Union celebrated 10 years since the historical enlargement of 2004 no new paradigm, grand prospect for the future or new Schuman plan was proposed.

Such a new paradigm must be a European project that would capture the new spirit of times. That will include the new technologies and the perception on the world of millennials (those born after year 2000). At the same time, such a new paradigm must take into account the aging population that has to retain full inclusion in the society and its activities.

Such a new paradigm must be based on information and must put the well-being of people in its center. Because information becomes central to economic activity maybe new indicators are needed for measuring growth, development and progress. Such indicators may refer more to the number of problems solved rather than to quantities of output.

A new paradigm for the European Union must be based on listening and understanding all parties, from the level of individuals to the level of member states. The information technologies allow for such large consultations and the topics of interest can be easily identified with big data analytics just from the social networks.

Going back to the global perspective, there is a need to restore Europe's position as a solution provider for a globalized world. But such a restoration cannot be obtained if Europe is focusing on itself: Europe should understand itself and at the same time understand and accept the world of today. And only then a new beginning can be expected to happen.

References

- European Commission, 2010. EUROPE 2020 - A strategy for smart, sustainable and inclusive growth, Document, COM(2010) 2020 final, Brussels, 3.3.2010
- Georgescu-Roegen, N., 1966. Analytical Economics, Harvard University Press.
- Goodkin, D., 2011. The World Population at 7 Billion, Population Division, US Census Bureau, posted October 31, 2011 at page <http://blogs.census.gov/2011/10/31/the-world-population-at-7-billion/>
- Hardoon, D., 2015. Wealth: Having it all and wanting more, Oxfarm Issue Briefing, January 2015
- Jackson, T., 2009. Prosperity without Growth, Sustainable Development Commission, p.36
- King Baudouin Foundation, Bertelsmann Stiftung, European Policy Centre (EPC), October 2014. New Pact for Europe, Second Report, pp. 2-8
- Manzella, G.P., Mendez, C., 2009. The turning points of EU Cohesion policy, European Policies Research Centre, University of Strathclyde, United Kingdom
- Meadows, D.H., Meadows, D.L., Randers, J., Behrens III, W.W., 1972. The Limits to Growth, Universe Books.
- Presidency Conclusions, Lisbon European Council 23 And 24 March 2000, at page http://www.europarl.europa.eu/summits/lis1_en.htm
- Reinfeldt, F., 2009. Sweden admits Lisbon Agenda 'failure', published at June 3, 2009 at page <http://www.euractiv.com/priorities/sweden-admits-lisbon-agenda-fail-news-221962>
- Rifkin, J., Howard, T., 1980. Entropy: A New World View, Viking Press
- Toffler, A. 1970, The Future Shock, Random House