

Intergenerational equity: the European social model **The story of a political mistake**

*You sang? How nice!
Well, now it's time to dance.
(Jean de La Fontaine)*

Abstract: By preserving the standard of living of Europeans through the importation from the South of cheap consumer goods produced under unacceptable conditions, Europe puts its social and environmental model at risk. In the process, political leaders have abandoned a share of their prerogatives and of their capacity to act on reality, and world inequalities have deepened. As a consequence, there has been a 'falling out' between the citizens and their leaders in Europe and international tensions that harbour the danger of expansion of extremism in all its forms.

The media are full of it: budget cuts, social entitlements called into question (dismantling of social protection and reduction of pensions, threats in France to the 35 hours of maximum working time, decrease of minimum wage, etc.). In France, but also elsewhere in Europe, the social system is under threat from all sides. The result of a bitter struggle led by the generations over the last 150 years is being dilapidated by those who benefited most from it, the very people who have also been exempted from any major conflict who could - should, if History had carried on as usual - have hit them, in their cities, their countryside, their homes.

And as it is, this sacrifice is being made to the gods of competition, competitiveness and globalisation. But is it really made to these gods? How could this possibly happen? Is there no other reason for this reversal of trend? Is this hiccup of History inevitable, as often believed, or can it be explained by what was done and by what was not? Is it the result of fundamental choices the consequences of which had not been fully analysed?

We have already seen how the baby boomer generation born after World War II leaves to future generations a legacy constituted by a huge financial debt, a highly degraded environment, an increasing disparity between the rich and the poor in a world that lives beyond its means, and the threat of the dramatic consequences of what appears today to be an inevitable global warming¹. We have also seen how the stubborn decision to base the management of the world on basic principles that are almost 250 years old, such as the quest for an immediate profit at any cost and national sovereignty prevents Humanity solving the problems it faces in a globalised world and promoting an equitable and sustainable development that caters for the interest of future generations².

¹ Maetz, M. *Equità intergenerazionale e sostenibilità*, Incontri, semestrale Anno IV, n.8 luglio-dicembre 2012, Edizioni Polistampa, Firenze. ([English version](#))

² Maetz, M. *L'equità intergenerazionale è possibile: a condizione di cambiare profondamente i principi che governano il mondo*, Incontri, semestrale Anno VII, n.14, gennaio-giugno 2015, Edizioni Polistampa, Firenze. ([English version](#))

The European institutional legacy

There is however an aspect that we have not yet addressed in what is left behind by this post-war generation. This has to do with a historical failure that impacted dramatically on what the world is today and will be tomorrow: the squandering of the institutional legacy, particularly its regulatory part, that was handed over to this generation by those who preceded it and the building up of international tension.

After the 1945 peace, in Europe, the generation that had seen two world wars, under the leadership of visionary leaders such as Konrad Adenauer, Alcide de Gasperi, Jean Monnet, Robert Schumann, Paul-Henry Spaak and others, committed to a project of peace by signing in Rome, on 25 March 1957, the [Treaty of Rome](#). This treaty stipulates that:

“The Community shall have as its task... to promote ... a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.”³

A little less than fifty years later, in 2000, Europe also adopted the [Charter of Fundamental Rights of the European Union](#) that recognises:

“... the rights of the elderly to lead a life of dignity and independence, ... working conditions which respect his or her health, safety and dignity, ... the entitlement to social security benefits and social services providing protection in cases such as maternity, illness, industrial accidents, dependency or old age, and in the case of loss of employment, ... social security benefits and social advantages, ... a high level of human health protection, ... a high level of environmental protection and the improvement of the quality of the environment, ...”⁴

The social model that characterises the European project is one of high level of social protection for its citizens, dialogue among all those engaged in an active life, a strong social regulation and the acknowledgement of the central role of the welfare state in terms of full employment, provision of services of general interest and social and economic cohesion⁵.

Consumption and the social and environmental model

At the time when Uruguay round negotiations were being conducted, between 1986 and 1994, that would lead to the creation of the World Trade Organisation (WTO) and the signing of extremely important trade agreements, Europe constituted approximately one third of world economy⁶ and

³ European Union, *Treaty of Rome, Part One - Principles, Article 2, 1957*. (http://ec.europa.eu/archives/emu_history/documents/treaties/rometreaty2.pdf)

⁴ European Union, *Charter of Fundamental Rights of the European Union, 2000*. (http://www.europarl.europa.eu/charter/pdf/text_en.pdf)

⁵ Confederation of European Trade Unions, *The European Social Model*. (<https://www.etuc.org/european-social-model>)

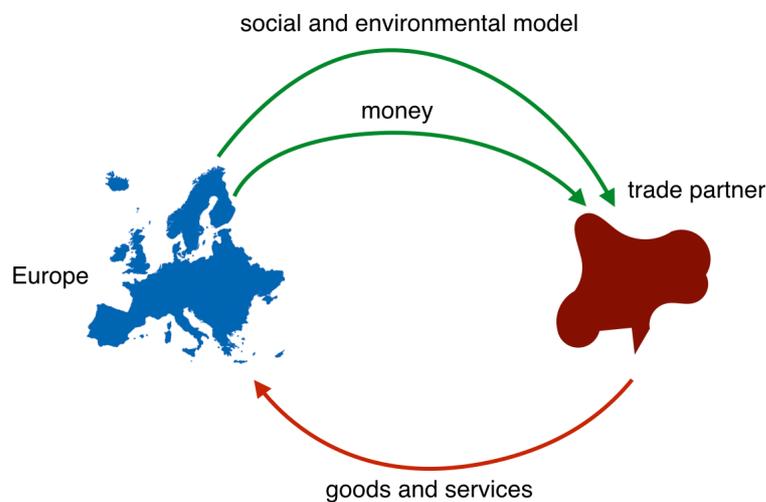
⁶ International Monetary Fund (IMF), [World Economic Outlook Databases](#).

was a party in close to half of merchandise trade (around 45% of world imports)⁷. Its weight in terms of production was roughly equivalent to that of the United States, and more than double in the case of imports. Europe therefore had the economic strength to influence world economy and even more world trade in a significant way, provided of course that its member countries adopted a coordinated group approach based on cooperation and a long-term vision rather than a selfish, individual, competitive attitude grounded in competition and immediate national interests.

What could Europe have achieved if its then leaders (Kohl, Mitterrand, Thatcher/Major and Thorn) had been guided by a vision similar to that of their predecessors and if they had decided to put up front Europe's fundamental social principles, not just to have them adopted by the WTO, but also to impose them as conditions to their trade partners? This certainly would have changed the world.

Europe could probably have succeeded, although with difficulty, in tabling these principles during trade negotiations conducted in the framework of first GATT⁸ and then WTO, and probably with more ease in bilateral negotiations. Instead of accepting trade liberalisation, Europe could have put as condition to the imports of a particular good that it were produced according to the rules of the European social model and the principles of environmental protection existing in Europe. Thus, importing goods from a trading partner into Europe would not simply have corresponded to an exchange 'good - money', but would have involved an exchange 'good - money/rules' which would have allowed Europe to export its social and environmental model when importing goods from its trade partners (see Diagram 1).

Diagram 1: The 'virtuous' trade scenario



But unfortunately, this virtuous model was not the one that was adopted. Rather, it was a 'vicious' model that was adopted and still operates today that consists in importing not only cheap goods produced in conditions that resemble those of Europe during the 19th Century⁹, but also, in an

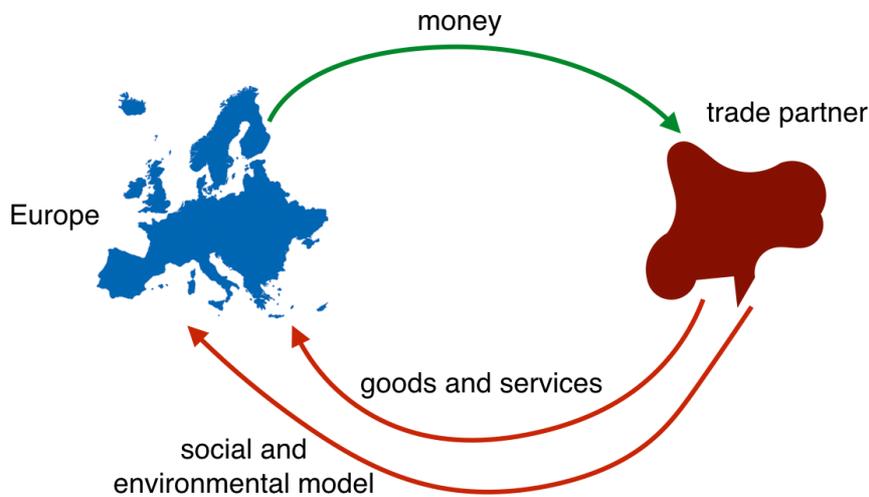
⁷ World Trade Organisation (WTO), [Trade and tariff data](#).

⁸ General Agreement on Tariffs and Trade, the predecessor of WTO.

⁹ See for example the inhuman, unhealthy and dangerous working conditions of children in mines in Africa and of girls in textile factories in Asia (Bangladesh, Cambodia, China, Vietnam and India in particular) and that were only mentioned in our media following the terrible disaster of the Rana Plaza in Bangladesh in 2013.

insidious way, the archaic and violent model that prevails in the countries of the South and that governs their production: a general social ‘race to the bottom’ (see Diagram 2)

Diagram 2: The ‘vicious’ trade scenario



Investment, profits and development

Europe had another means to ‘export’ its social model and promote its generalisation throughout the world as a vector of social and economic development: investment. Indeed, until just a few years ago, Europe was responsible for half of foreign direct investments in the world, and 54% of these investments were directed at so-called ‘developing countries’, the main target being Asia¹⁰.

These investments could have been made under conditions of compliance with ‘European’ social and environmental norms. They could have really contributed to the promotion of an economically, socially and environmentally sustainable development throughout the world.

But this was not the case. Rather, these investments were supportive to (and probably attracted by) the absence of social and environmental norms that helped to reduce costs and increase profits of European investors. It is particularly illuminating to read the declared principles underpinning the European foreign investment policy: (i) use investments to enter the market of recipient countries; (ii) ensure free repatriation of profits; and (iii) leave total freedom to beneficiary countries to regulate their economy (including determining their social and environmental norms). This is a crystal clear illustration of this short-sighted pragmatism that is so much praised today and that replaced the vision - sometime tinted with idealism for sure - of European leaders of the immediate post-war period.

It could be expected then - and this was rapidly confirmed - that the potential beneficiaries of these investments would compete to offer the best conditions to investors in order to attract the maximum amount of capital possible, encouraged in this by large international financial institutions such as the IFM, World Bank and Regional Banks.

¹⁰ United Nations Conference on Trade and Development (UNCTAD), [World Investment Report 2014](#).

While Europe thus abstained to promote abroad the social model in which it takes pride, the US, despite their lesser economic weight but because they are politically stronger and ... united, promoted economic liberalism through USAID's¹¹ "[Aid for Trade](#)" programme, one of the specific objectives of which was to help participating countries to develop a "more competitive labour force" ...

It is therefore quite clear that, over the last fifty years, the global economic system operated in full conformity with the principle of the quest for short-term individual profit (of shareholders) at any cost. It is this principle that guided the relocation of industries that was observed during the last decades. In the South, although this trend certainly contributed to create tens of millions of jobs that probably offered better livelihoods than those, rapidly degrading, in rural areas, it also has established a gigantic mechanism to exploit masses of unqualified labourers that found themselves in working conditions comparable to those described by Dickens in 19th Century England¹².

A short-sighted political gamble

The boom in the volume of imports of cheap consumption goods coming from countries in the South also served the purpose of European political leaders and trade unionists, as it allowed maintaining an increase of the purchasing power of European consumers (and electors) and preventing social outbreaks. In the case of France, for example, the purchasing power index increased regularly and grew by almost 25% in 15 years (increasing from 85 in 1996 to 105 in 2010¹³). Over the same period, EU imports from China were multiplied by more than five¹⁴. Besides, the availability of cheap imported goods has certainly contributed to dampen the impact on European people's purchasing power of the crises after 2008.

The rise of a society of hyper-consumption and wastage, based on the import of cheap goods produced in unacceptable social and environmental conditions has thus allowed social peace. It has also kept Europeans unaware of their real situation that rests on the collection of a new form of rent. This new system replaced and continued in a way the defunct 'classical' colonial system. Few were the people who, during the 80s and 90s, at a time when 'third worldism' that had been widespread during the two preceding decades has fallen out of fashion, expressed a discordant note, claiming the need for promoting an economically, socially and environmentally sustainable development in South, especially in the so-called 'emerging' countries. It is likely that if this view did not really capture people's attention, it is also because the few individuals involved had not fully measured the mid-term impact this strategy would have on the social conditions of the European population. Had they been able to do this, they would probably have been able to attract more attention of people who, on may regret it, are often ready to mobilise only when their personal interests are at stake. And even then...

So Europe indulged in the pleasure of consumption and only woke up at the time of the economic crisis that followed the 2008 financial crisis. It is now confronted with the necessity to pay the bill

¹¹ United States Agency for International Development.

¹² See for example the film "[A wage you can live on - Textile workers in Cambodia](#)" Clean Clothes Campaign Denmark, 2012.

¹³ INSEE, [Le pouvoir d'achat, du vécu à l'indice](#), INSEE actualités magazine, p. 2-5, 2010.

¹⁴ EUROSTAT, [Database](#).

of this consumption spree that lasted approximately one generation: in the meantime, debt had exploded, deindustrialisation occurred and now austerity policies, the pursuit of competitiveness and the likely dismantling of the social heritage and of the welfare state are recurrent in the speeches of European leaders and in the media, and almost everywhere diffuse progressively in economic policies.

Is this an unstoppable process as Europe weakened in the meantime? Its weight in merchandise trade has fallen to around one third of the volume of world transactions in 2014 and its investments abroad represented only 17% of foreign direct investments in 2013. Europe seems therefore in a weaker position now for reversing the trend, even if political leaders decided at last to react and abandoned 'pragmatic' policies to implement more proactive approaches. And this is true even in the case of Africa who has just reached the very initial phase of development of its industry but where there is a fierce competition between Europe and other economic forces (including China and the US, but also large multinational corporations).

Another approach was possible

Some will disagree with the analysis made here of what happened and will say that even if European leaders has been aware of the dangers of the strategy they adopted, they would not have been able to influence the true nature of development in countries of the South and avoid the expected backlash the premises of which are already quite visible. There is however a counter-example that illustrates that they are most probably wrong. This example is given by a study published by two researchers at the LICOS Centre for Institutions and Economic Performance of the Catholic University of Leuven in Belgium, who demonstrate that the EU and Japan could influence GMO¹⁵ regulations in a number of countries because of their economic power as main trade partner of these countries¹⁶. This shows that it was possible, by using power generated by economic and commercial weight, to influence policies and norms of a group of trade partners.

The cost of the mistake: 'falling out' between people and political leaders and tension between the rich and the poor

The consequences of this strategy go probably far beyond what has been described and is not limited to the economic sphere and the levelling down of social and environmental conditions in the world.

First, it has put politics behind economics. By not using their economic power when it was still sufficiently important, political leaders lost it by opportunism and some kind of denied hidden populism. What power is left today to political leaders and the States to influence our economy in the liberalised world in which we live? By following the strategy they adopted, did European political leaders not abandon an essential part of their power, keeping only now that of managing some cultural and social aspect of our societies (such as 'same-sex marriage' or the 'right to assisted suicide') and the maintenance of law and order? Is this not the fundamental explanation of their incapacity to manage proactively the issue of unemployment and the cause for the 'falling out' between the population and political leaders, but also that between people and trade unionists? This

¹⁵ Genetically modified organisms.

¹⁶ Vigani, M. et A. Olper, *GMO Standards, Endogenous Policy and the Market for Information*, LICOS Discussion Paper 306/2012 - lire notre [note de lecture](#) sur [lafaimexpliquee.org](#)

is a dangerous situation that could involve causes for potential changes that can only be a source of serious concern.

Second, the world today is characterised by a troubling standoff. On one side, its rich part has continuously adopted a pro 'development for all' narrative since the time of independence, while adopting economic policies that consisted in ensuring that the system of exploitation of people and resources in South was maintained and renewed with the view of preserving the prosperity of the rich. On the other side, its poor part where the population is increasingly aware of the standard of living disparities that are everywhere to be seen on television, computer, pad and telephone screens, and where a growing fraction of the people start feeling some level of aggressivity which may have been a consequence of the mimetic desire that was so brilliantly described by French philosopher René Girard¹⁷ who just left us.

The risk, in both cases, is that this situation will lead to a comeback of politics in its totalising, if not totalitarian expression. The first signs are here, visible, in the shape of the mutually supporting extremism that develops in Europe and terrorism that strikes almost everywhere in the world.

Restore optimism for the future and dance, dance...

It may not be too late to defuse this potentially explosive situation, provided personalities emerge among political leaders of this world, supported by the mobilisation of citizens in the North as well as in the South, who would have a vision for the future and the strength to turn around the balance of power and impose to economic powers the questioning of the principles that guide the management of our world, so as to find, at last, a way towards an equitable and sustainable development, so that we all can, whether in the South or in the North, again restore our optimism and dance, dance, dance...

[Materne Maetz](#)

November 2015

¹⁷ Girard, R, *Violence and the Sacred*, Johns Hopkins University Press 1977.