



Change Gear

*A Culture of Participation.
How to live together in Europe
Bertelsmann Stiftung Conference
The Square. June 1, 2010*

Panel II. Rethinking and Reshaping Europe's Economic and Social Model.

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In the last few years, and in particular since 2008, we have been witnessing how much our Civilisation is endangered because value destruction is taking place at the same time at the level of ethics, finance and nature. It's not the "creative destruction" of the market economy which is at stake but the "Casino economy" and short termism imposed on us since the 80's and which has demonstrated its evil power to destroy economies and nature, people hopes and trust.

The present "public deficit" and "sovereign debt" crisis has demonstrated that for Europe there was no other option than to change gear. According to LEAP /Europe 2020 the good news is that *the EU Founding States have been regaining control and a collective continental governance has just brutally emerged, ironically 65 years after the end of the Second World War so that not only will the Euro not « explode » because of the Greek problem but, on the contrary, a strengthened Eurozone will emerge from this stage of the crisis . One could even consider that, since the Eurozone decision, a kind of « Eurozone coup d'Etat » supported by Sweden and Poland (...) 440 million Europeans have just joined a new country, Euroland, of which some already share the currency, the Euro, and of which all now share the indebtedness and the joint means to solve the serious problems posed in the context of the global systemic crisis. (...) ¹*

For the IMF Director General, the problem of Europe versus the other parts of the world is the limited "economic recovery" or ""too little growth rate". But, as stated by Stated Kenneth

¹ Leap.Europe2020. *Without doubt, a radical unraveling of European governance has just taken place: a collective continental governance has just brutally emerged, ironically 65 years after the end of the Second World War. (...). This 750 billion Euros and this new European governance (of the 26) constitutes, at the one and the same time, the putting in place of the fortifications against the next storms caused by draconian Western indebtedness, and which will affect the United Kingdom and then the United States causing disturbances of which the « Greek crisis » has only given a small preview.*



Boulding, economist “*Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist*”.² We are embarked in a “*great transition*” and some do not realize it. They think we are still on a safe bank river while in fact we started by 2008 to cross the river towards a new world. The risks are high but inevitable and the choices to be made “quasi impossible” if we do not change our approach :

The bad news is that the approach chosen “public finance rigor” might be “*a cure which will almost certainly kill the patient by causing deep recession that lowers tax revenues and aggravates budget difficulties, while also causing bankruptcies that threaten an already weakened banking sector*”³. This will happen, if we are unable to shape tools to change gear in implementing what is known as the *Europe 2020 strategy on smart, sustainable and inclusive growth*.

Change gear in a time of public finance rigor, threats on the retirement plans and risk of growing populism requires a new narrative with promise for a better world. Change gear requires a quantum leap to transform our society and exit by the top of the present multiple crisis.

We have no other choice that to “rethink and reshape our European Economic Social Model” and to propose a new vision and a “transformational agenda⁴” (rethinking our values, business models and risk management, redesigning our processes and policies, rebuilding trust)⁵- to secure a European flourishing and competitive economy and a well being society in a globalised world, while protecting the natural resource base. *We will be successful as Europeans only if we are able to present a “Low-Carbon Emissions and Resource-Efficient Economy” as part of a “New Societal Contract”, “Progress for Mankind” and the leverage of a “Well-Being Society for All” in Europe and elsewhere*⁶. This is where think tanks as the New Economics Foundation, foundations as the Bertelsmann Stiftung and NGO can become drives of a transnational debate on Europe’s future economic and social model. As noted by the MEP Vittorio Prodi what is at stake is simply “*to reset civilization*”.

Let’s say that, taking into account the way the EU works, the Europe 2020 Strategy is a good basis from that perspective. But the Commission and the Council failed miserably in their mission

² The Great Transition. NeF.

³ *The root problem is the dominance of flawed neoliberal economic thinking. This problem is particularly acute in the European Central Bank and European finance ministries which are dominated by economists trained in Chicago School neoliberal macroeconomics. Ironically, social democratic Europe has been much more virulently infected by this strain of thinking than the U.S. where politicians’ pragmatism has moderated economists’ extremism*³. Thomas Palley, Schwartz Economic Growth Fellow, New America Foundation

⁴ Political Guidelines for the next Commission. JM Barroso. 2009

⁵ World Economic Forum January 2010.

⁶ Resource Efficiency Alliance Annual Meeting 2007.



when it comes to the process itself. Indeed to change gear requires not only technological innovation and new business models but “policy innovation” and “societal innovation” as well. That is where the Europe 2020 Strategy will fail and will be a missed opportunity is not revisited in the light of the present financial and economic crisis to “empower” those having to take ownership and implement. We need an “open innovation process”, in a knowledge society, Change gear requires a participatory mechanisms to shape the multi-stakeholder alliance involving the State, Regions and Cities, the Market (Employers and Trade Unions), Civil Society. urgently needed to increase the “resilience” of our political, economic, social and ecological systems and make them ready to address new global crisis and their impact on the Union. This is what is not provided by the Europe 2020 Strategy. The proposal of a “Grenelle de l’Environnement” even advocated by Commissioner Barrier and debated between President Barroso and President Sarkozy is not there. It remains to be seen if the European Parliament will have the gust to say : “not like that, here is an alternative”.

An indeed we need to rebalance the interrelationship between EU Institutions social partners and civil society at the European level when thinking about future economic governance as far as a smart, green and inclusive growth is concerned. The Institutional dialogue between the EU Institutions and the Social Partners: Business Sector (represented by Business Europe) and the Trade Unions (represented by ETUC) is unable to provide leadership towards a smart, sustainable and inclusive growth. How should we proceed ?

Change gear requires to understand that competitiveness in the XXIst Century, with more and more scarcity problems (raw materials, water, food) is driven by a “value chain approach” in a multi-stakeholder, global and smart society. The players and economic actors of this value chain are not limited to Manufacturing Companies and their suppliers, Governments and Trade Unions. They also include Financiers, Procurement Offices of Governments, Regions and Cities, Individuals as Investors, Buyers and Consumers, Standards Setters public and private, Sustainability Performance Raters public and private, Trust Builders – in particular NGO’s. So if we want to change gear, they all should be involved.

Change gear means also that the niche market of yesterday should become the mainstream market of tomorrow while reducing our environmental footprint and tackling scarcity and security issues related to resource efficiency , all elements severely impacting competitiveness and requiring an efficient resource management system involving public and private actors⁷. Banks and other players, including Governements, should understand that the rules are changing very fast. Foundations, CSOs and NGOs have a key role to play in helping citizens to make use of their three voting rights by which they can shape the economy and influence economic globalization :

1. Their voting right during general and local elections
2. Their voting right as “ socially responsible investor” (the way citizens save money as well as the way citizens spend money)
3. Their voting right as “responsible consumer”.

⁷ OECD Conference October 2010.



To change gear, Foundations, Think tanks and NGOs should propose to the chair of the political groups within the European Parliament to propose a “Parliament written declaration” which would be signed by a significant number of members of the European Parliament and addressed to the European Council to design an overarching participatory process for the Europe 2020 strategy implementation, promote a new alliance between the State- Regions and Cities - the Market -Civil Society and build Europe’s transition towards a new economy as well as a more ethics, fairness, equity inside the EU and between the EU and the other citizens of this planet.

Such written declaration should first enlighten the good news, offer a new business ethic vision in a socially responsible economy, with new patterns and a new process.

The Good News Rethinking our Economic and Social Model.

Europe is strong enough to show the way forward if economic actors and markets are “empowered”. Europe’s “attractiveness” for global investors should be reaffirmed on the basis of 5 elements to be captured :

1. Europe offers Stability, Democracy and Peace, we know how to manage consensus and we are based on great values, we have the absolute priority of solving conflicts with political means.
2. Europe is a dynamic demand driven market for green products, investments, services, and sustainable territories.
3. Europe is the leading place for systemic, multi-stakeholder, innovation along the value chain with demand for technological and societal change within the carrying capacity of ecosystems.
4. Europe has an “intergenerational pact” with pillars such as eco-growth, a skills pact and inclusiveness.
5. Europe is the Innovation Laboratory for a Higher Level of Civilization.

The New Ethics for economic governance and social cohesion in the EU.

When thinking about future economic governance and social cohesion in the EU, and to change gear, we need to revisit our values, our *collective goods* and *collective rights*. The concept of *interdependence* is crucial. This is why the Declaration of Interdependence proposed President Barroso (and which is not part of the Europe 2020 Strategy) should come on the fore front of the political agenda and become the introductory part of the framework agreement which should come out of a Convention (see below).

Companies and Entrepreneurs, part of the Manufacturing and Financial Industries, should be judged and rewarded on the basis of new criteria which should be part of the guidelines and regulations deriving from the adoption of the EU 21020 strategy :

1. Enablers of more knowledge
2. Enablers of more skills
3. Enablers of more services



4. Enablers of a circular economy
5. Enablers of more justice and inclusiveness
6. Enablers of prosperous, resilient and sustainable territories (Cities and Rural Regions)

The New Patterns of cooperation and sharing responsibilities.

The EU needs to design the “external part” of the EU 2020 strategy with a focus on the 2012 UN Conference on Sustainable Development. European Institutions, Regions and Cities, Market and Civil Society need to

1. Assess and improve partnerships initiatives related to a Sustainable Global New deal.
2. Explore how to secure “fairness” in ETS allocations to reduce migration pressures.
3. Design with our neighbours, including Russia, an “Energy and Water Community”, as a leverage for peace, stability and development.

Three new instruments to complement the Europe 2020 Strategy present framework

We have proposed three instruments :

- A European Convention on Europe’s Prosperity as the place of a multi-stakeholder negotiation involving Public Authorities (EU Council, Parliament, Commission, MS Parliaments, Committee of Regions, Covenant of Mayors) Business, Trade Unions and Civil Society. To put finance back to the service of the economy, face the public debt and public deficit deriving from the financial crisis, the Convention framework agreement needs to address the EU Budget 2014-2020 and the Stability and Growth Pact (level of public deficit inspired by the German Constitution, new ceiling level of public debt) as well as include a 5 year agreement with private banks on how to mobilise private capital to finance EU Objectives 2020. To go away from a pure physical growth concept to a broader concept of development, we need new indicators which will shape the way towards a higher degree of civilization : e.g. health, interpersonal relations, environment, those are indicators too put “happiness” into the political language again. Our society nowadays is based on false assumptions (e.g. that we have unlimited resources). To reduce the global footprint of Europe’s economy and lead to “business innovation”, the Convention need to adopt an agreement to phase out harmful environmental subsidies, the ecological subprimes of the XXIst century.
- A European Systemic Resource Efficiency Board (inspired by the EU Systemic Board to handle the banking crisis which will put in place) should meet at Leaders level (President of the Commission and Commissioners, President of the European Parliament and Presidents of European Parliament relevant Committees, President of the Economic and Social Committee, President of the Committee of Regions, CEO’s, Mayors). The focus would be a report on *Europe 2050 security and resource Efficiency*.
- As Change gear means to mobilise private investors in a new way. There is no leadership on the “green market” without leadership on green banking. This is why we need a



European Tripartite Forum Commission-Banks- Civil Society (inspired by the Retail Forum) to mobilize private capital and shape/implement a 5 years agreement between the EU and private banks to accelerate the shift towards a low carbon and resource efficient economy. Indeed, one of the key leverage of the value chain is the “financial community” with its two main activities : (i) to invest in companies (private equity and listed companies) and to provide loans to companies and individuals. Some Investors are looking for a clear-cut shift (e.g. radical new approach, new technologies) Mobilize private capital (4/5 of investments to be made to address climate change for example) is one of the objectives of Europe 2020. The retrofitting of the European building stock alone would require 100 billions€/year during 40 years and a total of 4.000 billions € to be mobilised. Therefore we need a permanent “Forum”. (detailed proposal part of a report *Financing Objectives 2020. Mobilizing Private Capital* and a 10 points roadmap is available).

As President Barroso stated recently “*we will need to win the battle of ideas. I think we are in a moment in the European integration process where this battle of ideas is coming to a very critical point. We are in a situation, from my point of observation, where if the European Union does not go further, it may be going back forever*”⁸.

Now it is the time of a quantitative and qualitative leap, shaping Europe as the laboratory of a higher degree of civilization, It requires from Foundations, NGOs, CSOs and ordinary citizens, working with Cities and Regions to “*lift ourselves up*” and be “*happy warriors for change*” (as Michelle and Barack Obama would say) to convince the EU Institutions that the numerous best practices already in place thanks to European front runners are the seed to put our financial, economic and social system on a new trajectory for a better life for all .

⁸ Global Jean Monnet Conference Brussels, 25 May 2010



European Partners for the Environment (EPE) acts as the facilitator of the Resource Efficiency Alliance, a group of “economic actors” developing synergies to accelerate the implementation of the EU Objectives 2020 (climate change, renewable energy, energy and resource efficiency) by leveraging their market forces. This is not a “business” initiative but an initiative of public and private market players, including non-governmental organisations and public authorities. Each alliance member which belongs to sectors as different as: metals, cement, banks, retail, procurement, construction, water, buildings offers an input based on its own mandate, skills, means and priorities. On this basis, the Alliance explores how to contribute to a European Economic Recovery Action Plan in response to a “four big crunch” - the financial and economical crisis, the climate change crisis, the security & resource scarcity crisis (energy, water, food, raw material) and the trust in Banks crisis. The Alliance objective is to explore how innovation might be used to assist the shift towards a less resource-dependent society, while maintaining levels of prosperity.



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