

New Dynamics for Europe: reaping the benefits of socio-ecological transitionⁱ

Karl Aiginger

The European project – for over decades a success story of creating welfare, keeping peace and integrating a formerly divided continent – today faces unprecedented challenges: Europe is suffering from a sluggish economy lacking confidence and innovative power, leading to high unemployment and debt. Political divides between North and South, but also between old and new member states, are growing and the vision of ever-increasing integration is losing its attraction. At the same time, Europe is confronted with a bundle of complex societal and environmental challenges ranging from climate change to ageing populations, from the repercussions of globalisation to the growing stream of refugees from war-torn states in neighbouring regions.

The call for fundamental change

This scenario has reached a scale of menacing gravity and urgency that cannot be answered by simply applying incremental adaptations to current policy stances. It calls for fundamental reforms as part of a coherent strategy aimed at a clearly defined vision of where Europe should be heading. The European research project “Welfare, Wealth and Work for Europe” has been working on such a strategy. It has been a four-year project in which 34 research groups have cooperated and calls for a socio-ecological transition.

A vision beyond GDP figures

The strategy starts off by renouncing the long-established concept of using GDP growth figures as the benchmark for economic and societal progress. In contrast, it sets “wellbeing in a sustainable environment” as the optimal benchmark of economic performance and social progress.

Three strategic goals

Wellbeing for European citizens requires the accomplishment of three goals:

Economic dynamics comprises raising income – specifically low incomes of individuals and regions – as well as fostering mobility and structural renewal in an open, heterogeneous society.

Social inclusiveness puts the focus on fighting unemployment, limiting income spreads and establishing more equity in the distribution of life chances, also from a gender perspective.

Environmental sustainability calls for respecting the planetary boundaries and enabling an absolute decline in emissions and resource use.

Three guiding principles

The strategy is guided by three basic principles that should allow all three, potentially conflicting, goals to be achieved simultaneously despite the existing imbalances and challenges in Europe.

Simultaneity between goals: All three strategic goals must be pursued simultaneously by means of a systemic and comprehensive approach. Isolated strategies for each goal are inefficient, costly and will yield suboptimal solutions.



High-road ambition: In times of economic uncertainty, it is tempting to opt for the seemingly easier way of cost cutting and lowering social and environmental standards. The new strategy maintains that an exit out of crisis modus leads via the high road of building on strengths, upgrading skills and capabilities, and enforcing high standards. It requires innovation and the creation of new firms.

Two-stage implementation: A new strategy for Europe has to lead to a transition but also address existing disequilibria. This calls for a two-stage implementation process. Stage one will raise economic dynamics in order to reduce debt and unemployment while at the same time reprogramming the economy. Reducing income spreads and investing in infrastructure supporting decarbonisation will reduce current imbalances and prepare for transition. In the second stage, lower dynamics will be compatible with higher levels of wellbeing and employment, while emissions will be decoupled from output.

Seven drivers of change

To reach these goals, WWWforEurope has developed a reform programme stretching across seven policy fields and turning them into essential drivers of change.

Innovation: Boosting Europe's innovative power is a prerequisite for achieving the strategy's goals. At the same time, the focus of innovation should be redirected from labour saving to social inclusiveness as well as increasing energy and resource productivity.

Dynamics: Limiting income spreads and keeping real wages in line with productivity growth will stabilise consumption. Investment can be pushed specifically if Europe takes the lead in decarbonisation. Both will stimulate dynamics and reduce inherited disequilibria.

Welfare: New societal challenges call for a fundamental switch from the social protection focus of welfare policies to the social investment approach. Instead of compensating for social damage, investments in education, health and employment should prevent them.

Labour: Solving the mismatch of qualifications demanded and available will stimulate employment. Upgrading skills enables working time reductions without increasing the share of working poor. Symmetric flexibility will allow firms to adjust hours to demand fluctuations and employees their hours to reflect their work-life balance.

Energy use: Respecting planetary boundaries calls for decarbonisation. This should start with the elimination of subsidies for fossil fuels and should lead to a decoupling from output by increasing energy efficiency, improving standards and creating a future-oriented infrastructure.

Public sector: With expenditures making up nearly 50% of GDP, Europe's public sector can play an eminent role as a game changer: on the expenditure side, by focussing on environmental and societal needs, and on the revenue side by shifting the tax burden away from labour and towards energy use, wealth, speculation and inheritance.

Financial sector: Reforms should re-commit the financial sector to serving the real economy and realign it with the needs of society. Social and environmental investments should be included in the choice of financial portfolios.

Given the European track record of sound strategies and poor delivery, WWWforEurope defines "facilitators of change" which could make success more likely this time. These include bringing partners on board and monitoring the socio-economic transition of Europe to the "first beyond-GDP economy" by means of indicators.

ⁱ Aiginger, K., New Dynamics for Europe: Reaping the Benefits of Socio-ecological Transition, Synthesis Report Part I, WWWforEurope, March 2016. <http://Synthesis-Report-Part-I.foreurope.eu>

